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TRADEMARK LAW REVISION ACT OF 1987

HEARING

BEFORE THE

SUBCOMMITTEE ON
PATENTS, COPYRIGHTS AND TRADEMARKS

OF THE

COMMITTEE ON THE JUDICIARY
UNITED STATES SENATE

ONE HUNDREDTH CONGRESS

SECOND SESSION

ON

S. 1883

A BILL TO AMEND THE ACT ENTITLED "AN ACT TO PROVIDE FOR THE REGISTRATION AND PROTECTION OF TRADE-MARKS USED IN COMMERCE, TO CARRY OUT THE PROVISIONS OF CERTAIN INTERNATIONAL CONVENTIONS, AND FOR OTHER PURPOSES"

MARCH 15, 1988

Serial No. J-100-56

Printed for the use of the Committee on the Judiciary

U.S. GOVERNMENT PRINTING OFFICE
96-182 WASHINGTON : 1989

For sale by the Superintendent of Documents, Congressional Sales Office
U.S. Government Printing Office, Washington, DC 20402

S521-33

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TRADEMARK LAW REVISION ACT OF 1987

TUESDAY, MARCH 15, 1988

U.S. SENATE,
SUBCOMMITTEE ON PATENTS,
COPYRIGHTS AND TRADEMARKS,
COMMITTEE ON THE JUDICIARY,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:34 a.m., in room 226, Dirksen Senate Office Building, Hon. Dennis DeConcini (chairman of the subcommittee) presiding.

Also present: Senator Hatch.

Staff present: Tara McMahon, majority counsel; Cecilia Swensen, legislative aide/chief clerk; Elizabeth McFall, staff assistant; Kelly Barr, legal intern; Jon James, legal intern; Randy Rader, minority chief counsel (Subcommittee on Patents, Copyrights and Trademarks); Matt Gerson, general counsel for Senator Leahy; Mamie Miller, counsel for Senator Heflin; and Melissa Patack, minority counsel for Senator Grassley.

OPENING STATEMENT OF HON. DENNIS DeCONCINI, A U.S. SENATOR FROM THE STATE OF ARIZONA

Senator DECONCINI. I am pleased to convene this hearing of the Subcommittee on Patents, Copyrights and Trademarks to receive testimony from various distinguished groups of witnesses.

Today we will be discussing S. 1883, the Trademark Law Revision Act of 1987. S. 1883 represents the first comprehensive revision of trademark law since the 1946 Lanham Act.

Senator Hatch, the ranking member of this subcommittee, will be joining us later as he has hearings on a very important bill taking place today. That's why he isn't here this morning. I know he is very interested in this subject matter and I am sure he will have a statement for the record.

Almost a half century ago Representative Lanham addressed witnesses at a similar hearing with the following statement:

> Business has so progressed and developed since the enactment of our present trademark law, that in some respects the present statute does not meet all the demands of the present conditions of commerce. The purpose of these hearings is to enable us, through our mutual discussions of this measure, to reach an intelligent conclusion as to what this committee should propose and report by way of proper trademark legislation. You are able to give us the information we want.

Business has continued to evolve and so must our laws. The international arena has changed. The importance of the trademark to the consuming public and to the trademark owner has increased. This legislation reflects those realities and receives wide support because: it will bring trademark laws up to date with present-day business practices, it will increase the value of the Federal trademark registration system, it will remove the current preference for foreign companies applying to register trademarks in the United States, and it will continue to protect the public from counterfeit, confusion, and deception.

I am pleased to play a small role in ensuring that U.S. trademark law continues to adequately protect one of the most valuable assets of American business and the interests of consumers who rely on trademarks when making their purchasing decisions.

I would like to take a moment to thank the U.S. Trademark Association. This legislation is a direct result of their hard, hard work. Two years ago USTA formed the Trademark Review Commission to conduct a thorough study of the current trademark system. By their own accounts, the study was one of the most ambitious and important projects every undertaken by the association. Their work was entirely voluntary—more than 5,000 hours were dedicated to the project. Input from diverse public and private interests served by the trademark law was sought. Hundreds of trademark owners and practitioners, more than 50 organizations, government officials in the United States and from abroad, and eminent scholars in the field of constitutional, commercial, trademark, and unfair competition law contributed their views to this final study.

It is certainly clear that the benefits of their study and this legislation cross all industry lines. I ask that the Commission's full report will be part of the record. I want to sincerely thank the outstanding effort put forth by the association.

Many other companies and organizations wanted to testify in support of this legislation, and I am going to leave the record open to be sure that their letters and statements are included because we just did not have time to include everybody this morning.

Before we proceed with witnesses, I would ask that the opening remarks of Senators Hatch and Grassley and the text of S. 1883 be made a part of the record at this time.

[Material referred to above follows:]

STATEMENT OF SENATOR ORRIN G. HATCH

SUBCOMMITTEE ON PATENTS, COPYRIGHTS, AND TRADEMARKS

TRADEMARK REVISION ACT, S. 1883

MARCH 15, 1988

MR. CHAIRMAN. THE LANHAM ACT IS NOW FORTY-ONE YEARS OLD. IN FOUR DECADES, THE CHARACTER OF OUR COMMERCE AND LAWS HAS CHANGED DRASTICALLY. IN LIGHT OF THIS PASSAGE OF TIME, I WOULD LIKE TO COMMEND THE U.S. TRADEMARK ASSOCIATION FOR UNDERTAKING A TWO-YEAR EFFORT TO STUDY AND RECOMMEND REVISIONS IN THE LAW. MOREOVER, I WOULD LIKE TO COMMEND YOU, MR. CHAIRMAN, FOR GIVING TIME TO THIS IMPORTANT SUBJECT.

TRADEMARKS ARE THE LIFE BLOOD OF MANY BUSINESSES. THEY SERVE TO IDENTIFY FOR THE CONSUMER THE SOURCE OF PRODUCTS, THUS OFFERING CONSUMERS A RELIABLE INDICATION OF THE QUALITY, REPUTATION, AND GENERAL WORTH OF GOODS AND SERVICES THAT HAVE EARNED PUBLIC TRUST. ACCORDINGLY, CONSUMERS AS WELL AS THE REPUTATION AND GOOD WILL OF OUR NATION'S BUSINESSES ARE EXPLOITED WHENEVER CONFUSINGLY SIMILAR MARKS ARE USED TO DENOTE

COMPETING PRODUCTS. I LOOK FORWARD TO WORKING WITH MEMBERS OF THIS SUBCOMMITTEE TO ENSURE THAT THE FEDERAL TRADEMARK SYSTEM OPERATES EFFICIENTLY TO PREVENT AND REMEDY SUCH INFRINGEMENTS.

IN THE PAST, I HAVE BEEN PLEASED TO WORK WITH THE TRADEMARK COMMUNITY TO REMEDY CONCERNS ABOUT TRADEMARKS AND FRANCHISING IN 1982 AND THE TRADEMARK GENERICNESS STANDARD IN 1984. IN 1988, I HOPE THAT WE CAN SEIZE THE OPPORTUNITY TO STUDY MORE COMPREHENSIVELY THE NEED TO UPDATE AND IMPROVE THE OPERATIONS OF OUR FEDERAL TRADEMARK REGISTRATION AND ENFORCEMENT LAWS.

AT THE OUTSET, I WOULD NOTE THAT I THINK SOME FINETUNING OF THE "INTENT TO USE" SECTION AND A FEW OTHER PROVISIONS AS WELL AS SOME RECONSIDERATION OF THE "DILUTION" SECTION MAY BE IN ORDER. S. 1883, HOWEVER, MAKES IMPORTANT STRIDES TOWARD IMPROVING OUR TRADEMARK LAW. THEREFORE, I LOOK FORWARD TO PARTICIPATING IN THIS HEARING AND THE SUBSEQUENT NEGOTIATIONS ON THE PROVISIONS OF THIS LEGISLATION.

MR. CHAIRMAN. I ASK UNANIMOUS CONSENT THAT A LAW REVIEW ARTICLE ON THE DILUTION QUESTION BY MARTIN HANDLER BE MADE PART OF THE RECORD. THIS WILL HELP THE SUBCOMMITTEE IN ITS CONSIDERATION OF THIS ISSUE.

TRADEMARK LAW REVISION ACT OF 1987

S. 1883

STATEMENT OF CHARLES E. GRASSLEY

MARCH 15, 1988

THANK YOU, MR CHAIRMAN FOR HOLDING THESE HEARINGS ON THE TRADEMARK LAW REVISION ACT .

OUR TRADEMARK LAW, THE LANHAM ACT, HAS NOT UNDERGONE SIGNIFICANT REVISION SINCE ITS ENACTMENT IN 1946. AND THE TECHNOLOGICAL ADVANCES OF THE INTERVENING 42 YEARS HAVE SEEN COUNTLESS NEW PRODUCTS AND SERVICES INTRODUCED TO THE AMERICAN MARKETPLACE.

TRADEMARK LAW IS INTENDED TO ASSIST BUSINESS IN THE DEVELOPMENT OF NEW PRODUCTS AND IN THE PROTECTION OF EXISTING PRODUCTS AND SERVICES. AND TRADEMARK LAW HAS THE EFFECT OF PROTECTING CONSUMERS. THEY ARE ENTITLED TO RELY ON A PARTICULAR TRADEMARK-- TO KNOW THE PRODUCT OR SERVICE THEY ARE BUYING.

IT APPEARS THAT THE TIME HAS COME FOR REVISIONS TO THE LANHAM ACT. THE U.S. TRADEMARK ASSOCIATION HAS DONE A THOROUGH STUDY OF THE ISSUE AND THE LEGISLATION INCORPORATES THEIR RECOMMENDATIONS.

I LOOK FORWARD TO HEARING FROM THE WITNESSES, WHOSE WORK IS CLOSELY CONNECTED TO TRADEMARK LAW PROVISIONS AND PROTECTIONS. AS I HEAR FROM THEM, I LOOK FORWARD TO DISCUSSING THE EFFECTS THESE CHANGES WILL HAVE ON SMALL BUSINESSES, AS WELL AS THE IMPACT ON OUR ALREADY CROWDED FEDERAL COURTS.

ONCE AGAIN, I THANK SENATOR DECONCINI FOR HOLDING THESE HEARINGS, THE U.S. TRADEMARK ASSOCIATION FOR CONDUCTING ITS STUDY AND THE WITNESSES FOR APPEARING HERE TODAY.

II

100TH CONGRESS
1ST SESSION

S. 1883

To amend the Act entitled "An Act to provide for the registration and protection of trade-marks used in commerce, to carry out the provisions of certain international conventions, and for other purposes".

IN THE SENATE OF THE UNITED STATES

NOVEMBER 19, 1987

Mr. DECONCINI introduced the following bill; which was read twice and referred to the Committee on the Judiciary

---

A BILL

To amend the Act entitled "An Act to provide for the registration and protection of trade-marks used in commerce, to carry out the provisions of certain international conventions, and for other purposes".

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Trademark Law Revision Act of 1987".

SEC. 2. For purposes of this Act, the Act entitled "An Act to provide for the registration and protection of trade-marks used in commerce, to carry out the provisions of certain international conventions, and for other purposes" shall be referred to as the "Trademark Act of 1946".

SEC. 3. Section 1 of the Trademark Act of 1946 (15 U.S.C. 1051) is amended by—

(1) inserting a section heading before section 1 to read as follows:

"REQUIREMENTS FOR APPLYING TO REGISTER TRADEMARKS ON THE PRINCIPAL REGISTER";

(2) striking out "may register his" and inserting in lieu thereof "may apply to register his";

(3) redesignating paragraphs (1), (2), and (3) of subsection (a) as subparagraphs (A), (B), and (C), respectively;

(4) redesignating subsections (a), (b), and (c) as paragraphs (1), (2), and (3), respectively;

(5) inserting "(a)" after "SECTION 1.";

(6) striking out "actually" in subparagraph (C), as redesignated herein; and

(7) adding at the end thereof the following:

"(b) A person who has a bona fide intention to use a trademark in commerce may apply to register the trademark under this Act on the principal register hereby established:

"(1) By filing in the Patent and Trademark Office—

"(A) a written application, in such form as may be prescribed by the Commissioner, verified by the applicant, or by a member of the firm or an officer of the corporation or association applying, specifying applicant's domicile and citizenship, applicant's bona fide intention to use the mark in commerce, the goods in connection with which the applicant has a bona fide intention to use the mark and the mode or manner in which the mark is intended to be used in connection with such goods, and including a statement to the effect that the person making the verification believes himself, or the firm, corporation, or association in whose behalf he makes the verification, is entitled to use the mark in commerce, and that no other person, firm, corporation, or association, to the best of his knowledge and belief, has the right to use such mark in commerce either in the identical form thereof or in such near resemblance thereto as to be likely, when applied to the goods of such other person, to cause confusion, or to cause mistake, or to deceive: *Provided*, That in the case of every application seeking concurrent use the applicant shall state exceptions to his claim of exclusive use, in which he shall specify, to the extent of his knowledge, any use by others, the goods in connection with which and the areas in which such use exists, the periods of such use, and the goods and area for which the applicant has a bona fide intention to use the mark in commerce and desires registration. However, with the exception of applications filed pursuant to section 44 of this Act, no mark shall be registered until the applicant has met the requirements of section 13(b)(2) hereof; and

"(B) a drawing of the mark.

"(2) By paying in the Patent and Trademark Office the filing fee.

"(3) By complying with such rules or regulations, not inconsistent with law, as may be prescribed by the Commissioner.

"(c) At any time during examination of an application filed under subsection (b), an applicant who has made use of the mark in commerce may claim the benefits thereof for purposes of this Act, by amending his application to bring it into conformity with the requirements of subsection (a).".

Sec. 4. Section 2 of the Trademark Act of 1946 (U.S.C. 1052) is amended—

(1) by amending subsection (d) to read as follows:

"(d) Consists of or comprises a mark which so resembles a mark registered in the Patent and Trademark Office, or a mark which is the subject of a previously filed pending application, or a mark or trade name previously used in the United States by another and not abandoned, as to be likely, when applied to the goods of the applicant, to cause confusion, or to cause mistake, or to deceive: *Provided*, That when the Commissioner determines that confusion, mistake, or deception is not likely to result from the use by more than one person of the same or similar marks under conditions and limitations as to the mode or place of use of the marks or the goods in connection with which such marks are used, concurrent registrations may be issued to such persons when they have become entitled to use such marks prior to (1) the earliest of the filing dates of the applications pending or of any registration issued under this Act; or (2) July 5, 1947, in the case of registrations previously issued under the Act of March 3, 1881, or February 20, 1905, and continuing in full force and effect on that date; or (3) July 5, 1947, in the case of applications filed under the Act of February 20, 1905, and registered after July 5, 1947. Use prior to the filing date of any pending application or a registration shall not be required when the owner of such application or registration consents to the grant of a concurrent registration to the applicant. Concurrent registrations may also be issued by the Commissioner when a court of competent jurisdiction has finally determined that more than one person is entitled to use the same or similar marks in commerce. In issuing concurrent registrations, the Commissioner shall prescribe conditions and limitations as to the mode or place of use of the mark or the goods in connection with which such mark is registered to the respective persons;"; and

(2) in subsection (f) by striking out "five years" through the end of the subsection and inserting in lieu thereof "five years next preceding an offer of proof by the applicant.".

SEC. 5. Section 3 of the Trademark Act of 1946 (15 U.S.C. 1053) is amended by—

(1) striking out "used in commerce" in the first sentence; and

(2) striking out the second sentence.

SEC. 6. Section 4 of the Trademark Act of 1946 (15 U.S.C. 1054) is amended by—

(1) striking out "origin used in commerce," and inserting in lieu thereof "origin,";

(2) striking out "except when" in the first sentence and inserting in lieu thereof "except in the case of certification marks when"; and

(3) striking out the second sentence.

SEC. 7. Section 5 of the Trademark Act of 1946 (15 U.S.C. 1055) is amended by adding at the end thereof the following: "First use of a mark by a person, which use is controlled by the registrant or applicant for registration of the mark in respect to the nature and quality of the goods or services, shall inure to the benefit of the registrant or applicant.".

SEC. 8. Section 6(b) of the Trademark Act of 1946 (15 U.S.C. 1056(b)) is amended by striking out "(d)" and inserting in lieu thereof "(e)".

SEC. 9. Section 7 of the Trademark Act of 1946 (15 U.S.C. 1057) is amended by—

(1) amending subsection (b) to read as follows:

"(b) A certificate of registration of a mark upon the principal register provided by this Act shall be prima facie evidence of the validity of the registered mark and of the registration thereof, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the certificate, subject to any conditions or limitations stated therein.";

(2) redesignating subsections (c), (d), (e), (f), and (g) as subsections (d), (e), (f), (g), and (h), respectively; and

(3) inserting between subsection (b) and subsection (d), as redesignated herein, the following:

"(c) Contingent on the registration of a mark on the principal register established herein, the filing of the application to register such mark shall constitute constructive use of the mark, conferring a right of priority, nationwide in effect, on or in connection with the goods or services specified in the registration against any other person except for a person whose mark has not been abandoned and, who prior to such filing—

"(1) has used the mark;

"(2) has filed an application to register the mark on the principal register and that application is pending or has resulted in registration of the mark on the principal register; or

"(3) has filed a foreign application to register the mark on the basis of which he has acquired a right of priority by the timely filing under section 44(d) of an application to register the mark on the principal register and that application is pending or has resulted in registration of the mark on the principal register.".

SEC. 10. Section 8(a) of the Trademark Act of 1946 (15 U.S.C. 1058a) is amended by—

(1) striking out "twenty" and inserting in lieu thereof "ten"; and

(2) striking out "showing that said mark is in use in commerce or showing that its" and inserting in lieu thereof "setting forth those goods or services recited in the registration on or in connection with which the mark is in use in commerce and having attached there-

to a specimen or facsimile showing current use of the mark, or showing that any".

SEC. 11. Section 9(a) of the Trademark Act of 1946 (15 U.S.C. 1059(a)) is amended by striking out "twenty" and inserting in lieu thereof "ten".

SEC. 12. Section 10 of the Trademark Act of 1946 (15 U.S.C. 1060) is amended to read as follows:

"ASSIGNMENT AND GRANT OF SECURITY INTEREST

"SEC. 10. (a) A registered mark or a mark for which application to register has been filed shall be assignable with the goodwill of the business in which the mark is used, or with that part of the goodwill of the business connected with the use of and symbolized by the mark. However, no application to register a mark under section 1(b) shall be assignable prior to the filing of the verified statement of use under section 13(b)(2), except to a successor to the business of the applicant, or portion thereof, to which the mark pertains.

"(b)(1) A security interest in a registered mark or a mark for which application to register has been filed may be obtained and will be superior to any interest subsequently granted to a third party, provided—

"(A) the party granted the security interest obtains a security interest in the goodwill of the business in which the mark is used, or with that part of the goodwill of the business connected with the use of and symbolized by the mark;

"(B) the mark is not subject to a valid, prior perfected security interest; and

"(C) notice of such interest is filed in the Patent and Trademark Office within ten days after being granted.

"(2) A party granted a security interest in a registered mark or a mark for which application to register has been filed may, after default by the party granting the security interest, require the debtor to assign the mark to—

"(A) a transferee who is also being assigned that part of the goodwill of the business connected with the use of and symbolized by the mark; or

"(B) the party holding the security interest, even though such party does not presently engage in the business to which the mark relates, provided that the secured party either subsequently engages in the business to which the mark relates or holds the mark only for the purpose of subsequently transferring the mark along with the goodwill associated with the mark and that such subsequent transfer occurs prior to dissipation of the goodwill.

"(3) A security interest in a mark obtained pursuant to this section will extend to the consideration received upon the sale, exchange, collection or other disposition of the mark for ten days after receipt of the consideration by the transferor and will then lapse unless a financing statement or other document is filed as required by appropriate State law.

"(c) In any assignment of or grant of a security interest in a mark it shall not be necessary to include the goodwill of the business connected with the use of and symbolized by any other mark used in the business or by the name or style under which the business is conducted.

"(d) Assignments and grants of security interest shall be by instruments in writing duly executed. Acknowledgment shall be prima facie evidence of the execution of an assignment or a grant of a security interest and when recorded in the Patent and Trademark Office the record shall be prima facie evidence of execution. An assignment of or grant of a security interest in a mark shall be void as against any subsequent purchaser or other entity being granted an interest for a valuable consideration without notice, unless recorded in the Patent and Trademark Office within three months after the date thereof or prior to such subsequent purchase in the case of an assignment, or within ten days after the grant of any security interest.

"(e) A separate record of documents submitted for recording under this section shall be maintained in the Patent and Trademark Office. Such record shall include any release, cancellation, discharge, or satisfaction relating to any conveyance or other instrument affecting title to or any interest in a registered mark or a mark for which application to register has been filed.

"(f) An assignee or holder of a security interest not domiciled in the United States shall be subject to and comply with the provisions of section 1(d) of this Act.".

SEC. 13. Section 12(a) of the Trademark Act of 1946 (15 U.S.C. 1062a) is amended by striking out "to registration, the" and inserting in lieu thereof "to registration, or would be entitled to registration upon the acceptance of the statement of use prescribed in section 13(b)(2) of this Act, the".

SEC. 14. Section 13 of the Trademark Act of 1946 (15 U.S.C. 1063) is amended by—

(1) inserting "(a)" before "Any person"; and

(2) adding at the end thereof the following:

"(b) Unless registration is successfully opposed—

"(1) a mark entitled to registration on the principal register based on an application filed under section 1(a) or pursuant to section 44, shall be registered in the Patent and Trademark Office, and a certificate of registration issued, and notice of the registration shall be published in the Official Gazette of the Patent and Trademark Office; or

"(2) a notice of allowance shall be issued to the applicant if he applied for registration under section

1(b). Within six months following the date of the notice of allowance, the applicant must file in the Patent and Trademark Office, together with such number of specimens or facsimiles of the mark as used in commerce as may be required by the Commissioner and payment of the prescribed fee, a verified statement that the mark is in use in commerce and specifying the date of applicant's first use of the mark and the date of applicant's first use of the mark in commerce, those goods or services specified in the notice of allowance on or in connection with which the mark is used in commerce and the mode or manner in which the mark is used in connection with such goods or services. Subject to examination and acceptance of the statement of use, the mark shall be registered in the Patent and Trademark Office, and a certificate of registration issued, for those goods or services recited in the statement of use for which the mark is entitled to registration and notice of registration shall be published in the Official Gazette of the Patent and Trademark Office. The notice shall specify the goods or services for which the mark is registered.

"(A) The time for filing the statement of use shall be extended for an additional six-month period upon written request of the applicant prior to expiration of the six-month period. Such request shall be accompanied by a verified statement that the applicant has a continued bona fide intention to use the mark in commerce and specifying those goods or services identified in the notice of allowance on or in connection with which the applicant has a continued bona fide intention to use the mark in commerce. Up to six further extensions of six months each shall be obtained when requested prior to the expiration of the extended period and accompanied by a verified statement that the applicant has a continued bona fide intention to use the mark in commerce and specifying those goods or services identified in the most recent extension for which the applicant has a continued bona fide intention to use the mark in commerce. Each request for an extension shall be accompanied by payment of the prescribed fee.

"(B) The Commissioner shall notify any applicant who files a statement of use of the acceptance or refusal thereof and, if a refusal, the reasons therefor. An applicant may amend his statement of use and may seek review by the Commissioner of a final refusal.

"(C) The failure to timely file a verified statement of use shall result in abandonment of the application.".

SEC. 15. Section 14(c) of the Trademark Act of 1946 (15 U.S.C. 1064(c)) is amended to read as follows:

"(c) at any time if the registered mark becomes the generic name for the goods or services, or a portion thereof, for which it is registered, or has been abandoned, or its registration was obtained fraudulently or contrary to the provisions of section 4 or of subsection (a), (b), or (c) of section 2 for a registration hereunder, or contrary to similar prohibitory provisions of such prior Acts for a registration thereunder, or if the registered mark is being used by, or with the permission of, the registrant so as to misrepresent the source of the goods or services in connection with which the mark is used. If the registered mark becomes the generic name for less than all of the goods or services for which it is registered, a petition to cancel the registration for only those goods or services may be filed. A registered mark shall not be deemed to be the generic name of goods or services solely because such mark is also used as a name of or to identify a unique product or service. The primary significance of the registered mark to the relevant public rather than purchaser motivation shall be the test for determining whether the registered mark has become the generic name of goods or services in connection with which it has been used; or"

SEC. 16. Section 15(4) of the Trademark Act of 1946 (15 U.S.C. 1065(4)) is amended by striking out "the common descriptive name" and inserting in lieu thereof "the generic name".

SEC. 17. Section 18 of the Trademark Act of 1946 (15 U.S.C. 1068) is amended by—

(1) striking out "or restrict" and inserting in lieu thereof "the registration, in whole or in part, may modify the application or registration by limiting the goods or services specified therein, may otherwise restrict or rectify with respect to the register";

(2) striking out "or" before "may refuse"; and

(3) adding at the end thereof the following: "However, no final judgment shall be entered in favor of an applicant under section 1(b) who alleges likelihood of confusion prior to the mark being registered.".

SEC. 18. Section 21 of the Trademark Act of 1946 (15 U.S.C. 1071) is amended—

(1) in subsection (a), by striking out "section 21(b)" each place it appears and inserting in lieu thereof "subsection (b)";

(2) in subsection (a), by striking out "section 21(a)(2)" and inserting in lieu thereof "paragraph (2) of this subsection";

(3) in subsection (a)(4), by adding at the end thereof the following: "However, no final judgment shall be entered in favor of an applicant under section 1(b) who alleges likelihood of confusion prior to the mark being registered.";

(4) in subsection (b), by striking out "section 21(a)" each place it appears and inserting in lieu thereof "subsection (a)";

(5) in subsection (b)(1), by adding at the end thereof the following: "However, no final judgment shall be entered in favor of an applicant under section 1(b) who alleges likelihood of confusion prior to the mark being registered."; and

(6) in subsection (b)(3), by amending the first sentence of such paragraph to read as follows:

"(3) In any case where there is no adverse party, a copy of the complaint shall be served on the Commissioner, and, unless otherwise directed by the court, all the expenses of the proceeding shall be paid by the party bringing the case, whether the final decision is in favor of such party or not.".

SEC. 19. Section 23 of the Trademark Act of 1946 (15 U.S.C. 1091) is amended by—

(1) inserting "(a)" before "In addition" in the first paragraph;

(2) inserting "(b)" before "Upon the" in the second paragraph;

(3) inserting "(c)" before "For the purposes" in the third paragraph;

(4) striking out "paragraphs (a)," in subsection (a), as designated herein, and inserting in lieu thereof "subsections (a),";

(5) striking out "have been in lawful use in commerce by the proprietor thereof, upon" in subsection (a), as designated herein, and inserting in lieu thereof "are in use in commerce by the owner thereof, on";

(6) striking out "for the year preceding the filing of the application" in subsection (a), as designated herein;

(7) inserting before "section 1" in subsection (a), as designated herein, the following: "subsections (a) and (d) of";

(8) adding at the end of subsection (c), as designated herein, the following: "The filing of an application to register a mark on the supplemental register, or registration of a mark thereon, shall not constitute an admission that the mark is not eligible for registration on the principal register established herein."; and

(9) striking out the last paragraph.

SEC. 20. Section 24 of the Trademark Act of 1946 (15 U.S.C. 1092) is amended by—

(1) striking out "was not entitled to register the mark at the time of his application for registration thereof," and inserting in lieu thereof "is not entitled to registration,"; and

(2) by adding at the end thereof the following: "However, no final judgment shall be entered in favor of an applicant under section 1(b) who alleges likelihood of confusion prior to the mark being registered.".

SEC. 21. Section 26 of the Trademark Act of 1946 (15 U.S.C. 1094) is amended by—

(1) inserting "1(b)," after "sections"; and

(2) inserting "7(c)," after "7(b)".

SEC. 22. Section 30 of the Trademark Act of 1946 (15 U.S.C. 1112) is amended by striking out "goods and services upon or in connection with which he is actually using the mark" and inserting in lieu thereof "goods or services on or in connection with which he is using or he has a bona fide intention to use the mark in commerce".

SEC. 23. Section 33(a) of the Trademark Act of 1946 (15 U.S.C. 1115(a)) is amended by—

(1) inserting "the validity of the registered mark and of the registration thereof, of the registrant's own-

ership of the mark, and of the" after "prima facie evidence of";

(2) inserting "or in connection with" after "in commerce on"; and

(3) inserting ", including those set forth in subsection (b)," after "or defect".

SEC. 24. Section 33(b) of the Trademark Act of 1946 (15 U.S.C. 1115(b)) is amended by—

(1) amending the matter in subsection (b) before paragraph (1) to read as follows:

"(b) To the extent that the right to use the registered mark has become incontestable under section 15, the registration shall be conclusive evidence of the validity of the registered mark and of the registration thereof, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce. Such conclusive evidence shall relate to the exclusive right to use the mark on or in connection with the goods or services specified in the affidavit filed under the provisions of section 15 or, if fewer in number, the renewal application filed under the provisions of section 9 hereof, subject to any conditions or limitations in the registration or in such affidavit or renewal application. Such conclusive evidence of the right to use the registered mark shall be subject to proof of infringement as defined in section 32, and shall be subject to the following defenses or defects:"; and

(2) adding at the end of the subsection, the following:

"In addition, equitable principles, including laches, estoppel, and acquiescence, where applicable, may be considered and applied.".

SEC. 25. Section 34 of the Trademark Act of 1946 (15 U.S.C. 1116) is amended—

(1) in subsection (a) by—

(A) striking out "of the registrant of a mark registered in the Patent and Trademark Office" and inserting in lieu thereof "protected under this Act"; and

(B) adding at the end thereof the following: "However, no final judgment shall be entered in favor of an applicant under section 1(b) who alleges likelihood of confusion prior to the mark being registered."; and

(2) in subsection (c) by striking out "proceeding arising" and inserting in lieu thereof "proceeding involving a mark registered".

SEC. 26. Section 35(a) of the Trademark Act of 1946 (15 U.S.C. 1117(a)) is amended by striking out "of the registrant of a mark registered in the Patent and Trademark

Office" and inserting in lieu thereof "protected under this Act".

SEC. 27. Section 36 of the Trademark Act of 1946 (15 U.S.C. 1118) is amended by—

(1) striking out "of the registrant of a mark registered in the Patent and Trademark Office" and inserting in lieu thereof "protected under this Act"; and

(2) striking out "registered mark" and inserting in lieu thereof "mark".

SEC. 28. Section 43(a) of the Trademark Act of 1946 (15 U.S.C 1125(a)) is amended to read as follows:

"(a)(1) Any person who uses in commerce on or in connection with any goods or services, or any container for goods, any word, term, name, symbol, or device or any combination thereof, or who shall engage in any act, trade practice, or course of conduct, which—

"(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another, or to the origin, sponsorship, or approval of his goods, services, or commercial activities by another; or

"(B) by use of a false designation of origin or of a false or misleading description or representation, or by omission of material information, misrepresents the nature, characteristics, or qualities of his or another person's goods, services, commercial activities or their geographic origin; or

"(C) is likely to disparage or tarnish a mark used by another;

shall be liable in a civil action by any person who believes that he is or is likely to be damaged in his business or profession by such action.

"(2) The relief provided in this subsection shall be in addition to and shall not affect those remedies otherwise available under this Act, under common law, or pursuant to any statute of the United States: *Provided*, That nothing in this subsection shall be construed so as to preempt the jurisdiction of any State to grant relief in cases of unfair competition.".

SEC. 29. Section 43 of the Trademark Act of 1946 (15 U.S.C. 1125) is amended by adding at the end thereof the following new subsection:

"(c)(1) The owner of a famous mark registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register established herein shall be entitled, subject to the principles of equity, to an injunction against another person's use in commerce of a mark, commencing after the registrant's mark becomes famous, which causes dilution of the distinctive quality of the registrant's mark, and to obtain such other relief as is provided in this subsection. In determining whether a mark is distinctive and famous, a court may consider factors such as, but not limited to—

"(A) the degree of inherent or acquired distinctiveness of the mark;

"(B) the duration and extent of use of the mark on or in connection with the goods or services;

"(C) the duration and extent of advertising and publicity of the mark;

"(D) the geographical extent of the trading area in which the mark is used;

"(E) the channels of trade for the goods or services with which the mark is used;

"(F) the degree of recognition of the mark in its and in the other person's trading areas and channels of trade; and

"(G) the nature and extent of use of the same or similar marks by third parties.

"(2) The registrant shall be entitled only to injunctive relief in an action brought under this subsection, unless the subsequent user willfully intended to trade on the registrant's reputation or to cause dilution of the registrant's mark. If such willful intent is proven, the registrant shall also be entitled to the remedies set forth in sections 35(a) and 36 hereof, subject to the discretion of the court and the principles of equity.

"(3) Ownership of a valid registration under the Act of 1881 or the Act of 1905 or on the principal register established herein shall be a complete bar to an action brought by another person, under the common law or statute of a State, seeking to prevent dilution of the distinctiveness of a mark, label, or form of advertisement.".

SEC. 30. Section 44 of the Trademark Act of 1946 (15 U.S.C. 1126) is amended—

(1) by striking out "paragraph (b)" each place it appears and inserting in lieu thereof "subsection (b)";

(2) in subsection (d)(2) by striking out "but use in commerce need not be alleged" and inserting in lieu thereof "including a statement that the applicant has a bona fide intention to use the mark in commerce";

(3) in subsection (d)(3), by striking out "foreing" and inserting in lieu thereof "foreign";

(4) in subsection (e) by adding at the end thereof the following: "The application must state the applicant's bona fide intention to use the mark in commerce, but use in commerce shall not be required prior to registration."; and

(5) in subsection (f), by striking out "paragraphs (c), (d)," and inserting in lieu thereof "subsections (c), (d),".

SEC. 31. Section 45 of the Trademark Act of 1946 (15 U.S.C. 1127) is amended by—

(1) amending the paragraph defining "related company" to read as follows:

"The term 'related company' means any person whose use of a mark is controlled by the owner of the mark in respect to the nature and quality of the goods or services on or in connection with which the mark is used.";

(2) amending the paragraph defining "trade name" and "commercial name" to read as follows:

"The terms 'trade name' and 'commercial name' mean any name used by a person to identify his business or vocation.";

(3) amending the paragraph defining "trademark" to read as follows:

"The term 'trademark' means any word, name, symbol, or device or any combination thereof used by a person, or which a person has a bona fide intention to use in commerce and applies for registration on the principal register established by this Act, to identify and distinguish his goods, including a unique product, from those of others and to indicate the source of the goods, even if that source is unknown.";

(4) amending the paragraph defining "service mark" to read as follows:

"The term 'service mark' means any word, name, symbol, or device or any combination thereof used by a person, or which a person has a bona fide intention to use in commerce and applies for registration on the principal register established by this Act, to identify and distinguish the services of one person, including a unique service, from those of others and to indicate the source of the services, even if that source is unknown. Titles, character names, and other distinctive features of radio or television programs may be registered as service marks notwithstanding that they, or the programs, may advertise the goods of the sponsor.";

(5) amending the paragraph defining "certification mark" to read as follows:

"The term 'certification mark' means any word, name, symbol, or device or any combination thereof used by a person other than its owner, or for which there is a bona fide intention for such use in commerce through the filing of an application for registration on the principal register established by this Act, to certify regional or other origin, material, mode of manufacture, quality, accuracy, or other characteristics of such person's goods or services or that the work or labor on the goods or services was performed by members of a union or other organization.";

(6) amending the paragraph defining "collective mark" to read as follows:

"The term 'collective mark' means a trademark or service mark used by the members of a cooperative, an association, or other collective group or organization, or which such members have a bona fide intention to use in commerce and apply for registration on the principal register established by this Act, and includes marks indicating membership in a union, an association, or other organization.";

(7) amending the paragraph defining "mark" to read as follows:

"The term 'mark' includes any trademark, service mark, collective mark, or certification mark.";

(8) amending the matter which appears between the paragraph defining "mark", and the paragraph defining "colorable imitation" to read as follows:

"The term 'use in commerce' means use of a mark in the ordinary course of trade, commensurate with the circumstances, and not made merely to reserve a right in a mark. For purposes of this Act, a mark shall be deemed to be in use in commerce (1) on goods when it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable then on documents associated with the goods or their sale, and the goods are sold or transported in commerce, and (2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in this and a foreign country and the person rendering the services is engaged in commerce in connection therewith.

"A mark shall be deemed to be 'abandoned'—

"(1) when its use has been discontinued with intent not to resume. Intent not to resume may be inferred from circumstances. Nonuse for two consecutive years shall be prima facie evidence of abandonment. 'Use' means use made in the ordinary course of trade, commensurate with the circumstances, and not made merely to reserve a right in a mark; or

"(2) when any course of conduct of the owner, including acts of omission as well as commission, causes the mark to become the generic name for the goods or services or otherwise to lose its significance as a mark. Purchaser motivation shall not be a test for determining abandonment under this subparagraph.

"The term 'dilution' means the lessening of the distinctive quality of a famous mark through use of the mark by another person, regardless of the presence or absence of (1) competition between the users of the mark, or (2) likelihood of confusion, mistake, or deception arising from that use.".

Senator DECONCINI. Mr. Eck, president of the U.S. Trademark Association, we will begin with you this morning. Thank you for being with us. Then we will proceed with our other witnesses.

Mr. Eck, if you would summarize your statement, your full statement will appear in the record following your oral presentation.

STATEMENT OF ROBERT J. ECK, PRESIDENT, THE U.S. TRADEMARK ASSOCIATION, NEW YORK, NY, ACCOMPANIED BY DOLORES HANNA, TRADEMARK COUNSEL FOR KRAFT, INC., AND CHAIRMAN OF THE TRADEMARK REVIEW COMMISSION, AND JEROME GILSON, LAW FIRM OF WILLIAN, BRINKS, OLDS, HOFER, GILSON & LIONE, LTD., AND REPORTER FOR THE TRADEMARK REVIEW COMMISSION

Mr. ECK. Thank you, Mr. Chairman, for your kind remarks about USTA.

Mr. Chairman, I am pleased to be here today as president of USTA to testify in support of S. 1883. As you indicated, S. 1883 is an outgrowth of the work done by the Trademark Review Commission of USTA, whose report is included as an appendix to our written statement.

With me are Dolores Hanna, trademark counsel for Kraft, Inc., and Chairman of the Trademark Review Commission, and Jerome Gilson, a partner in the firm of Willian, Brinks, Olds, Hofer, Gilson and Lione, who served as the Commission's reporter.

S. 1883 is an important piece of legislation that deserves early enactment. It modernizes the 41-year old Lanham Act by clarifying its provisions, removing inconsistencies, codifying its judicial interpretations, and incorporating modern-day commercial realities. But while the amendments are substantive, none are radical.

The enactment of S. 1883 will accomplish five principal objectives:

First, it will improve the trademark registration system in several respects, the most important being its creation of a dual system under which applications may be filed on the basis of use or intent to use, and its removal of unused marks from the trademark register.

Second, it will offer important new incentives for use of the system through constructive use priority and a Federal dilution cause of action.

Third, it will place section 43(a), the unfair competition provision of the act, on a firmer foundation by making false advertising claims about another's products or services actionable, codifying existing case law by providing remedies in cases where no registration exists, and by protecting trademarks from injurious acts which disparage and tarnish their reputations.

Fourth, it will clarify the definitions found in the act.

Fifth, it will provide a system for obtaining and clarifying the nature of security interests in trademarks.

Significantly, implementation of S. 1883 will not require the expenditure of tax dollars because the costs of the trademark registration system are entirely borne by user fees.

Although each of the provisions of S. 1883 is important, I will take the time allotted to me to highlight only a few.

The Lanham Act currently requires a U.S. business to make use of a mark in interstate commerce before it can apply for registration. This requirement unfairly discriminates against U.S. businesses, places significant legal risks on the introduction of new products and services, and gives preference to certain industries over others, to the disadvantage of small companies and individuals.

S. 1883 avoids these problems through permitting applications to be filed on the basis of a bona fide intention to use a mark in commerce. The system is balanced, equitable, and it incorporates meaningful safeguards against abuse without adversely affecting common-law rights.

S. 1883 will remove commercially unused marks from the register by reducing the registration term from 20 to 10 years and by increasing the use standard to obtain and maintain a registration, thereby improving the overall value and integrity of the system.

Moreover, S. 1883 adds two new significant incentives to promote use of the trademark registration system. The first is to provide constructive use priority commencing with the date of application but contingent upon registration. The second is to protect famous and distinctive marks from dilution and to simultaneously protect all registered marks from claims of dilution based on State law. The dilution language is narrowly drawn to insure that it will be applied with great selectivity.

Further, dilution protection is long overdue. It addresses a destructive form of unfair competition and, like the growing reliance on trademarks as collateral, it reflects the valuable property right that trademarks represent. In addition, it will offer much-needed guidance to the States as they interpret their own dilution laws, thus leading to greater uniformity nationwide.

In closing, Mr. Chairman, I wish to express USTA's sincere appreciation for the confidence you have shown by introducing S. 1883. We make ourselves available to answer any questions you and the members of the subcommittee may have both now and in the future and look forward to working with you in securing early enactment of this needed legislation.

Senator DeConcini. Thank you, Mr. Eck, very much. I do have some questions and probably will have some more after this hearing. We ask that you help by responding so that we can have a clear record.

We know that many large companies are supporting this legislation. A few people have said that the intent-to-use provision will allow large companies to tie up and hoard potential marks. What is to prevent a company from filing for hundreds of marks in order to preempt a competitor and make it more difficult for a small business to find a mark that they could use and sell? Should we consider a specific limit on the number of applications a single company could file?

Mr. Eck. Your question involves several parts so I will take them one at a time. The proposed bill, S. 1883, contains several safeguards to prevent abuses. First of all, it requires an applicant to file a sworn affidavit that it has a bona fide intent to use a mark. This should not be taken lightly by businessmen.

Second, it requires use, real use, before a registration will issue. The proposed bill redefines use as "use of a mark in the ordinary course of trade, commensurate with the circumstances, and not made merely to reserve a right in a mark." With this new definition, added strength comes to section 38 which provides for civil liability and damages in the event of fraud, fraudulent or false declarations leading to the issuance of a registration.

In addition to those safeguards, at the sixth year of registration, the registrant must also file an declaration of use and also at the time of registration. So these safeguards will lead to reducing the number of applications that a large or small company would file because it has to comply with these safeguards.

You asked what would stop a company from filing a large number of applications. I think my answer touches on that. In addition, the cost of filing applications would deter companies from filing a needless batch of applications because they would ultimately have to be used on a particular product to gain registration.

Senator DECONCINI. The act makes reference to a bona fide standard. Are we really asking the court, then, to make some mammoth interpretation? Are you satisfied that that standard is not opening it up to too much court interpretation and not enough clear, specific statute?

Mr. ECK. No, I don't believe it's opening up or would involve mammoth interpretations, Senator. The term "bona fide" means good faith without fraud and deceit. It is a term that courts are quite familiar with. Courts in trademark cases sit in equity and are quite familiar with equitable grounds.

The bona fide basis also is a fact-intensive issue which the courts must look at all the facts surrounding a particular use. To limit the courts by a definition would unduly limit their discretion after considering all the facts in the case.

Senator DECONCINI. I understand that the 4-year period time allowed for the company to develop and actually use a new mark in commerce after filing an application based on intent to use has been hotly debated. Could you give us a little history and background? How did the 4 years come to be the magic number? Is this a magic number? Why not 10? Why not 2?

Mr. ECK. Well, the 4-year term is not a magic number and it was hotly debated by the Trademark Review Commission. The 4-year term is a consensus from the members of the Commission. The Commission felt that certain industries, like the service and high-tech industries, necessarily need much more time in order to develop a product. For example, a restaurant or a hotel, must be built before the service can be rendered. In the high-tech industry, from conception to market, a lot of research and development is necessary before the product is ready.

All in all, the 4-year term is deemed to be beneficial to those industries that need it. As to those industries that don't need it, it is in their interest to make use of the mark and obtain registration as quickly as possible.

Senator DECONCINI. Maybe our other witnesses will touch on this, but regarding foreign trademarks, what's the situation now when foreign companies come in to the United States for a trademark?

Mr. ECK. Because of treaty obligations of the United States and section 44 of the Lanham Act, a foreign applicant can file a U.S. application based upon its foreign application or a foreign registration without making use in the United States. On the other hand, a U.S. applicant under the current law must make use.

Senator DECONCINI. Is that limited only by whatever the treaty may be with the country, if we have one? Or would foreign law govern as to when a foreign company must make use?

Mr. ECK. It's governed by the Paris Convention of 1883, to which the United States is a party. The treaty provides for equal treatment of international and domestic filers. So we cannot as a country——

Senator DECONCINI. If an Italian company files a trademark with our office here, then how long a period do they have now in which to make use? How long a period would they have if this legislation was enacted?

Mr. ECK. If an Italian applicant were to file, it would also have to file a declaration of bona fide intent to use——

Senator DECONCINI. Intent to use.

Mr. ECK [continuing]. Similar to a domestic applicant. If the application proceeds through examination and publication without opposition and matures to registration, the Lanham Act contains a provision that a registrant must use within 2 years of registration; otherwise, it's a prima facie case of abandonment. This requires an action to be brought to cancel the registration, but there is no requirement that the foreign registrant use before registration.

Senator DECONCINI. Do they have to use it within the 4-year period?

Mr. ECK. No, the 4-year period does not apply to foreign applicants.

Senator DECONCINI. It doesn't apply? What applies, then, is a 2-year——

Mr. ECK. It's 2 years subsequent to registration.

Senator DECONCINI. Subsequent to the registration, OK. What's the law now with the foreign applicant—nothing?

Mr. ECK. A foreign applicant can file without use.

Senator DECONCINI. And there's no mandated time or anything?

Mr. ECK. There's no mandated time, no, sir.

Senator DECONCINI. Does the foreign law apply if they have an intent to use?

Mr. ECK. Yes.

Senator DECONCINI. So if the Italian law says that it's 6 years, if they file in the United States and get registered, then that law would apply; that's the way it is today?

Mr. ECK. No, not really.

Senator DECONCINI. Not really?

Mr. ECK. The law is based upon the conditions under which applications are filed or registered. Now in Italy, if you don't use a mark within 3 years, it's considered null and void. If they file in the United States based on that application, the U.S. application wouldn't be null and void after 3 years.

Senator DECONCINI. It would not?

Mr. ECK. It would not.

Senator DECONCINI. I see. So it continues. You'll have to excuse me but I'm learning quite a bit about trademarks. I didn't take that course in law school. [Laughter.]

What I'm trying to understand is how does this make it level and fair for our companies vis-a-vis foreign companies?

Mr. ECK. I believe it makes it fair with the bill because both U.S. and foreign applicants may file based upon an intent to use. Each will have to file a declaration of bona fide intent to use, and at that point in time the applicants are at parity. Where the law differs is upon the declaration of use before registration. A domestic applicant must file a declaration of use; a foreign applicant need not file a declaration of use.

Senator DECONCINI. I see. Thank you. That's helpful.

Mr. Eck, thank you very much. Do your colleagues there care to make any statements, Ms. Hanna or Mr. Gilson?

Mr. GILSON. No, thank you, Senator.

Ms. HANNA. Thank you, no.

Senator DECONCINI. Thank you very much. We appreciate your testimony this morning.

Mr. ECK. Thank you, Senator.

[Material submitted for the record follows:]

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S. 1883 (DeCONCINI)
THE TRADEMARK LAW REVISION ACT

STATEMENT
OF
THE UNITED STATES TRADEMARK ASSOCIATION

Committee on the Judiciary
Subcommittee on Patents, Copyrights and Trademarks
United States Senate

March 15, 1988

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S. 1883 (DeCONCINI)
THE TRADEMARK LAW REVISION ACT

STATEMENT
OF
THE UNITED STATES TRADEMARK ASSOCIATION

Subcommittee on Patents, Copyrights and Trademarks
Committee on the Judiciary
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March 15, 1988

Mr. Chairman, The United States Trademark Association (USTA) appreciates and welcomes the opportunity to testify in support of S. 1883, the Trademark Law Revision Act, and its early enactment into law. It also expresses its appreciation to you for introducing this important legislation and for scheduling this early hearing on it.

My name is Robert J. Eck and I presently serve as Chairman of the Board of Directors and President of USTA. I am employed by USTA member Philip Morris Incorporated as Trademark Counsel. I have practiced trademark law for almost twenty-five years and have been admitted to the Bars of the States of Missouri (1964) and New York (1981). Like all the officers, Board members, Committee chairpersons and Committee members of the Association, I serve on a voluntary basis.

USTA is a 110-year-old not-for-profit membership organization. Since its founding in 1878, its membership has grown from twelve New York-based manufacturers to approximately 1900 members that are drawn from across the United States and from about 80 countries.

Membership in USTA is open to trademark owners and to those who serve trademark owners. Its members are corporations, advertising agencies, professional and trade associations, and law firms. USTA's membership crosses all industry lines, spanning a broad range of manufacturing, retail and service operations. Members include both small and large businesses and all sizes of general practice and intellectual property law firms. Equally important, USTA's members are both plaintiffs and defendants in disputes involving trademark rights. What this diverse group has in common is a shared interest in trademarks and a recognition of the importance of trademarks to their owners and to consumers.

USTA has five principal goals:

- to support and advance trademarks as an essential element of effective commerce throughout the world;
- to protect the interests of the public in the use of trademarks;
- to educate business, the press and the public to the importance of trademarks;
- to play an active leadership role in matters of public policy concerning trademarks; and,
- to provide a comprehensive range of services to its members that includes keeping them well-informed of current trademark developments and in touch with professional colleagues.

I. Significance of S. 1883

S. 1883 is significant both by virtue of the time and effort so many individuals and organizations independently and collectively contributed to developing the recommendations it reflects, and by its scope and purpose. While S. 1883 is not a panacea (since no legislation can eliminate all trademark problems), it will vastly improve the U.S. trademark registration system and the ability of the trademark law to protect the interests of the public (consumers) and trademark owners, and it will facilitate economic growth, free and fair competition, and international trade and competitiveness.

Evolution of the Legislation. S. 1883 is the product of over two years of study, analysis, debate and consensus-building by trademark owners, attorneys and other private sector experts. In addition, it reflects extensive discussions with the Patent and Trademark Office.

This review process was prompted by the trademark community's interest in assessing whether the Lanham Act (referred to herein as Act or Federal Trademark Statute) is meeting its stated purposes and objectives, as well as by concern about the increasing number of "piecemeal" Lanham Act amendments proposed in recent years.

The study was conducted under the auspices of USTA, through its Trademark Review Commission (TRC), but it was not limited to considering only the views of the Commission's twenty-nine members. Throughout the process, input from the diverse public and private interests served by the Lanham Act was sought. In fact, hundreds of trademark owners and practitioners, over fifty organizations, government officials in the United States and from abroad, and eminent scholars in the fields of constitutional, commercial, trademark and unfair competition law contributed to the project.

The TRC was chartered by USTA in 1985. Its responsibility was to study the U.S. trademark system, including the Lanham Act, and consider whether the system might be improved to better serve all parties. There were no instructions or preconceptions about the conclusions that might or should be reached. Indeed, the Trademark Review Commission would have fulfilled its objectives even if it recommended that the Act was in need of no change at all.

The product of the TRC's work, the "Report and Recommendations on the United States Trademark System and the Lanham Act", was issued on August 21, 1987, and published in the September-October 1987 issue of The Trademark Reporter. Because the Report was adopted in its entirety by the USTA Board of Directors and serves as the basis of S. 1883, it is included as an Appendix to this statement. And, although only those of the Report's findings which suggest the need to amend the Lanham Act are the focus of today's hearing, it is significant that the Report concluded that, overall, the trademark system and the Lanham Act are operating quite well.

Scope and Purpose of the Legislation. S. 1883 represents the first comprehensive revision of the Lanham Act since it was adopted in 1946. It reflects changed commercial realities and current business practices, as well as the growing body of case law evolving out of the courts and the Patent and Trademark Office.

Although the amendments S. 1883 proposes are numerous and some will have a significant impact on U.S. trademark law, they do not embody new or radical concepts. A great many are of a technical nature, serving only to correct deficiencies and inconsistencies in the Lanham Act and to conform it to modern judicial interpretation. Importantly, these amendments individually and S. 1883 as a whole preserve the Lanham Act's flexibility to deal with evolving marketplace realities and to resolve trademark issues based on principles of equity.

S. 1883 reinforces the purpose of the Lanham Act, as articulated in its legislative history:

> "The purpose underlying any trade-mark statute is twofold. One is to protect the public so it may be confident that, in purchasing a product bearing a particular trade-mark which it favorably knows, it will get the product which it asks for and wants to get. Secondly, where the owner of a trade-mark has spent energy, time, and money in presenting to the public the product, he is protected in his investment from its misappropriation by pirates and cheats. This is a well-established rule of law protecting both the public

and the trade-mark owner. It is succinctly stated by Mr. Justice Frankfurt in Mishawaka Rubber and Woolen Company v. S.S. Kresge Company, decided on May 4, 1942:

> "'The protection of trade-marks is the law's recognition of the psychological functions of symbols.'
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> * * *
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> "This bill, as any other proper legislation on trade-marks, has as its object the protection of trade-marks, securing to the owner the goodwill of his business and protecting the public against spurious and falsely marked goods. The matter has been approached with the view of protecting trade-marks and making infringement and piracy unprofitable. This can be done without any misgivings and without the fear of fostering hateful monopolies, for no monopoly is involved in trade-mark protection.
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> "Trade-marks, indeed, are the essence of competition, because they make possible a choice between competing articles by enabling the buyer to distinguish one from the other. Trade-marks encourage the maintenance of quality by securing to the producer the benefit of good reputation which excellence creates. To protect trade-marks, therefore, is to protect the public from deceit, to foster fair competition, and to secure to the business community the advantages reputation and goodwill by preventing their diversion from those who have created them to those who have not. This is the end to which this bill is directed." (House Report No. 219, 79th Congress, First Session, February 26, 1945, pages 2-3; Senate Report No. 1333, 79th Congress, Second Session, May 14, 1946, pages 3-4)

S. 1883 also effectuates the Lanham Act's section 45 definition of its intent:

> "The intent of this Act is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; to protect registered marks used in such commerce from interference by State, or territorial legislation; to protect persons engaged in such commerce against unfair competition; to prevent fraud and deception in such commerce by the use of reproductions, copies, counterfeits, or colorable imitations of registered marks; and to provide rights and remedies stipulated by treaties and conventions respecting trademarks, trade names, and

unfair competition entered into between the United States and foreign nations."

II. Provisions of S. 1883

S. 1883 modernizes the Lanham Act by clarifying its provisions, removing inconsistencies, codifying its judicial interpretations and updating it to reflect modern day commercial realities. Generally, it (i) improves the federal trademark registration system; (ii) offers further incentives for use of the system; and more specifically, it (iii) refines the definitions found in the Act; (iv) enhances the unfair competition section of the Act, section 43; and (v) provides for a system for obtaining and clarifying the nature of security interests in marks. Significantly, implementation of S. 1883 will not require the expenditure of tax dollars because the costs of the trademark registration system are entirely borne by user fees paid to the U.S. Patent and Trademark Office.

A. Improvements in the Trademark Registration System

S. 1883 will improve the federal trademark registration system in two major respects. First, it will eliminate the requirement that U.S. citizens and businesses, unlike their foreign counterparts, must use a mark in commerce before they can file an application to register it. Second, it will reduce the number of abandoned marks which presently clog the register and impair its integrity and usefulness. In addition, it contains several other provisions that will improve the efficiency and fairness of the registration process.

1. Applications Based on Intent-to-Use

As the concept of use is so fundamental to trademark law and serves as the basis of trademark ownership rights in the United States, it merits brief explanation. Under current law, a trademark is considered to have been used when it is affixed to the product, its packaging, labels or hang tags and the product is sold or shipped in commerce. Similarly, a service mark is considered to have been used when the services are performed or advertised in commerce, such as by opening a hotel or a restaurant.

The Lanham Act currently requires that a U.S. business or individual seeking to register a trademark in the United States first make use of the mark in interstate commerce before it can apply for registration. This requirement (i) unfairly discriminates against U.S. citizens, as compared to foreign citizens, (ii) engrafts significant legal risks on the introduction of new products and services, and (iii) gives preference to certain industries over others, frequently disadvantaging small companies and individuals.

Today, the United States and the Philippines are the only two countries which require use of a mark before an application for registration may be filed. This disparity between U.S. law and that of most other countries results in foreign applicants having an advantage over U.S. applicants in obtaining trademark registration rights because U.S. treaty obligations, reflected in section 44 of the Lanham Act, require that foreign applicants, relying upon a home country registration, may register a mark in the United States, notwithstanding that they have not used their marks anywhere in the world. Moreover, foreign applicants can obtain a filing priority in the United States corresponding to the date they file their home application. Under current interpretations, this means that while a U.S. applicant is required to use its mark before applying, foreign nationals can apply for and obtain a U.S. registration without using a mark in the United States or anywhere.

While it is impossible to measure the extent to which Americans are disadvantaged by the current system, the frequency with which foreign nationals avail themselves of the preference given them in section 44 is noteworthy. As of March 1, 1988, approximately seven percent, roughly 48,200, of the active applications and registrations in the U.S. Patent and Trademark Office claimed the benefits of section 44. In addition, since 1983 the PTO has issued over 17,700 section 44 registrations to foreigners.

The Lanham Act's pre-application use requirement also creates unnecessary legal uncertainty for a U.S. business planning to introduce products or services into the marketplace. It simply has no assurance that after selecting and adopting a mark, and possibly making a sizable investment in packaging, advertising and marketing, that it will not learn that its use of the mark infringes the rights another acquired through earlier use. In an age of national, if not global, marketing this has a chilling effect on business investment. This effect is not merely theoretical; it is real world and it can be costly: Marketing a new product domestically often exceeds $30 million for a large company and can consume the life-savings of an individual or small entrepreneur.

Partially in recognition of the difficulties companies face in launching new products and services, and the sizable investments that may be at stake, regardless of a company's or individual's resources, the courts have sanctioned the practice of "token use". Token use is a contrived and commercially-transparent practice. It is nothing more than a legal fiction, which when explained to a businessman, is greeted with an all-too familiar "I have to do what?" At the same time, token use is essential under current law because it (i) recognizes present day marketing costs and realities, and reduces some of the legal and economic risks associated with entering the marketplace; and, (ii) nominally achieves the threshold "use" required to apply for federal registration and the creation of trademark rights in advance of commercial use.

Unfortunately, token use is not available to all businesses and industries. For example, it is virtually impossible to make token use of a trademark on a large or expensive product such as an airplane. The same is true for service industries (e.g., hotels, restaurants, banks) prior to opening for business. Similarly, it is difficult for small business and individuals to avail themselves of token use because they frequently lack the resources or the knowledge to engage in the practice.

Token use is also troublesome for another reason. It allows companies to obtain registrations based on minimal use. Often these companies change their marketing plans and subsequently do not make commercial use. The result is that the trademark register is clogged with unused marks, making the clearance of new marks more difficult and discouraging others from adopting and using marks which should otherwise be available.

S. 1883 addresses these problems and increases the integrity of the federal trademark registration system through the creation of a dual application system. It gives all applicants the choice of applying to register marks on the principal register on the basis of pre-application use in commerce, as they do now, or on the basis of a bona fide intention to use the mark in commerce.

USTA strongly supports the intent-to-use application system proposed by S. 1883 as it provides a balanced, equitable system incorporating meaningful safeguards against abuse, without adversely affecting any common law rights. And, because the proposal maintains the current standard that a mark must be used before it can be registered, USTA believes it is unlikely to face constitutional challenge or that it will add to the number of inactive marks that currently appear on the register.

In USTA's estimation, the key features of this intent-to-use application system are its application and registration procedures, its provision for "constructive use" priority, the additional requirements it imposes on foreign applicants who file under section 44, and the revised definition of "use in commerce". These features are found in amendments S. 1883 makes to sections 1, 7, 12(a), 13, 44(d), 44(e) and 45 of the Act.

Application Procedures. Section 1 of the Lanham Act sets forth the requirements for applying to register a mark. S. 1883 amends it so that the provisions relating to intent-to-use applications are easily distinguished from the Act's existing provisions governing use-based applications.

The proposed language of section 1(b) requires applicants filing on the basis of intent-to-use to state their bona fide intention to use the mark in commerce on or in connection with every product or service specified in the application. "Bona fide" is a recognized and well-defined legal term that should be read in the context of the S. 1883 definition of "use in commerce", which will require "use of a mark in the ordinary course of trade, commensurate with the circumstances, and not made merely to reserve a right in a mark". Determining whether a company's intention is "bona fide" will be dependent upon facts and circumstances that cannot be quantified or defined by mathematical formula. As a consequence, such determinations will be left to the Trademark Trial and Appeal Board (TTAB) and the courts.

With the exception of those requirements which relate to use of the mark in commerce, other aspects of section 1(b) mirror the relevant language of the Lanham Act's current provisions relating to use-based applications, including the requirement that a drawing of the mark be provided. Section 1(b) also includes language emphasizing that, with the exception of marks applied for registration under section 44, no mark applied for registration on the basis of intent-to-use will be registered until the applicant submits evidence that the mark is in use on or in connection with all the goods or services for which it is to be registered. Inclusion of this statement, along with changing the language pertaining to use-based applications to read "may apply to register", focuses attention on the fact that section 1 of the Act is truly an application section, not a registration section, and that the examination of an application by the PTO and its publication in the Official Gazette for opposition purposes are essential aspects of the registration process.

USTA does not perceive the proposed language of new section 1(c) to be substantive. However, by providing that an intent-to-use applicant wishing to claim the benefits of use must amend its application to bring it into conformity with the requirements for use-based applications, it makes certain other amendments to the Act more straightforward: section 1(a) applications, when referenced, mean those for which evidence of use has been submitted and section 1(b) applications, when referenced, mean those for which evidence of use has not been provided.

Examination Procedures. The only distinction between examination of use-based and intent-to-use applications will be that, for applications based on intent-to-use, the PTO initially will not be able to examine specimens or facsimiles of the mark as it is being used. Although the absence of specimens will prevent the PTO from determining whether the application covers subject matter not constituting a trademark or service mark, whether the mark is being used as a mark and whether the mark as used differs materially from the drawing of the mark, these issues will not affect examination on numerous fundamental issues of registrability, such as those set forth in section 2 of the Act (e.g, descriptiveness, geographic or surname significance, or confusing similarity).

It is vital that examination procedures for use-based and intent-to-use applications be uniform. If separate or different procedures were established, consistency in examination practice would suffer. And, for example, if an opposition proceeding could not be instituted or the application were suspended until use of the mark was initiated, the goal of reducing uncertainty before an applicant invests in commercial use of a mark would be defeated.

Registration. Proposed section 13(b)(1) of the Lanham Act provides for the registration of marks on the basis of use in commerce or under section 44 of the Act. It does not change current law or practice.

Section 13(b)(2) establishes new procedures which assure that applicants that have filed on the basis of intent-to-use meet the same requirements that use-based applicants meet when they initially file their applications. It provides that if registration of the mark is not successfully opposed, the Patent and Trademark Office issues a "notice of allowance" to the applicant. The notice of allowance will set forth those goods or services for which the mark has been approved for registration.

Within six months from the date of the notice of allowance, the applicant is required to submit a "statement of use" verifying that the mark is in use in commerce and specifying those goods or services in the notice for which use has been made. Evidence of that use, i.e., specimens or facsimiles, must be submitted. On receipt, the PTO examines the statement and the accompanying evidence and, if they are acceptable, registers the mark and issues a certificate of registration covering only those goods or services for which the mark is actually entitled to registration. Lastly, a notice identifying the goods or services for which the mark has been registered is published in the Official Gazette.

Although the language of section 13(b)(2) does not specify the nature of the examination of the statement of use, this review should be limited to issues that could not be considered during the examination process that preceded the mark's publication for opposition. For example, whether (i) the person filing the statement of use is the applicant, (ii) the mark, as used, corresponds to the drawing that was submitted with the application, (iii) the goods or services for which the applicant has made use were identified in the application and not subsequently deleted, and (iv) the mark, as displayed by the specimens or facsimiles, functions as a mark.

Section 13(b)(2) also allows for extensions of time for filing the statement of use. These extensions, of six months each, will give the applicant up to a maximum of four years from the date of the notice of allowance to file its statement of use. An applicant will be able to obtain only one six-month extension at a time, and to obtain each it will have to pay a presumably escalating fee and file a verified statement specifying those goods or services for which it continues to have a bona fide intention to use the mark in commerce.

While some may consider four years an excessive length of time to file the statement of use, USTA supports this time frame because it recognizes the extent to which the lead times to introduce new products or services can vary from one industry to the next: (i) for certain industries six months or less may be the norm, and the applicant would have a difficult time alleging a serious, good faith intention for any length of time that greatly exceeded that norm; and (ii) for others, namely those with long research and development schedules, four years may be unavoidable. In any event, the applicant will want to file the statement as soon as possible so that it can perfect its rights and avoid paying further fees.

The balance of section 13(b)(2) relates to the PTO's acceptance or refusal of the statement of use and to abandonment of applications for which the statement of use is not filed. While S. 1883 provides that a refusal to accept the statement of use will be petitionable to the Commissioner only, USTA recommends that the TTAB continue to decide those issues that it already addresses with respect to use-based applications and that S. 1883 be amended appropriately.

Constructive Use. S. 1883 adds a new subsection (c) to section 7 of the Lanham Act to include an important new concept, "constructive use" priority. With it, subject to the mark being registered, the filing of an application will constitute nationwide priority of use against all parties except those antedating the date of the application with (i) use of the mark, (ii) an earlier application, or (iii) a claim of priority under section 44(d) of the Act.

USTA strongly supports S. 1883's provision for constructive use priority. Applicable to both use-based and intent-to-use applications, constructive use (i) is essential under an intent-to-use system, (ii) clarifies an important fact issue of trademark law, and (iii) promotes the purposes of the Lanham Act.

Constructive use priority is essential to applicants filing on the basis of intent-to-use because without the nationwide right of priority it conveys, these applicants will be easy targets for pirates and vulnerable to anyone initiating use after they had filed an application but before they had begun to make use of the mark. It is equally important to use-based applicants; without it, they will be penalized and pre-application use will be discouraged overall.

Constructive use priority also addresses a threshold fact issue for which the law requires greater certainty and will help reduce the geographic fragmentation of rights that regularly occurs under present law. Currently, an applicant who has made use in one area is at the mercy of an innocent, and possibly not so innocent, user who begins using the same or a similar mark in a remote area before the applicant obtains its registration. And, there is no way the applicant can prevent this use or later expand its use into the area of the second user. These situations result in practical problems for both users and consumers. The applicant is prohibited from expanding product distribution nationally even if it obtains federal registration, and is unable to benefit from the nationwide rights federal registration is intended to provide. The second user's growth is also stifled because it is prevented from expanding its use of the mark into areas where it had no market presence at the time the first user obtains its registration. Moreover, if it expands into new areas it may be forced to withdraw and sacrifice the goodwill it has established. Consumers are affected because they may be exposed to the mark of both users and will be confused. In every instance, these consequences are precisely what the Lanham Act was designed to avoid.

Constructive use also promotes the objectives of the Lanham Act in other ways. First, it encourages all persons to search the PTO's trademark records before adopting and investing in a new mark. A party who initiates use of a mark subsequent to another's applying to register the mark could easily have learned of the application by searching the PTO's trademark records before it commenced use, while, prior to filing, the applicant could not possibly have learned of the subsequent use.

Second, it offers a further incentive to register by granting conditional rights to those that publicly disclose their marks by applying for registration. It does this by giving an applicant priority nationwide, as of the date the application is filed, subject to its obtaining registration on the principal register. Thus, constructive use promotes the "policy of encouraging prompt registration of marks by rewarding those who first seek registration under the Lanham Act". Weiner King, Inc. v. Wiener King Corp., 615 F2d 512, 523, 204 USPQ 820, 830 (CCPA 1980).

At the same time, constructive use will not discard equity, which is the core of U.S. trademark jurisprudence. Applicants asserting constructive use priority will not be assured victory; to prevail, they will still be required to establish both a protectible interest and likelihood of confusion. Furthermore, as courts have traditionally refused to make "calendar priority" based on actual commercial use determinative of rights if doing so will cause inequity, they are unlikely to react differently with constructive use.

Requirements for Foreign Applicants. Through amendment of sections 44(d) and 44(e) of the Lanham Act, S. 1883 requires foreign applicants filing on the basis of a home country registration or priority date to state a bona fide intention to use the marks they are seeking to register in the United States. This requirement, along with S. 1883's provisions for an intent-to-use application system, will eliminate the preference U.S. law presently gives foreign companies applying to register marks in the United States. Although S. 1883 will continue to permit foreign applicants under section 44 to obtain registration of their marks before they initiate use, this right is not very significant in practical terms due to the abandonment provisions of the Act.

Definition of "Use in Commerce". Token use becomes unnecessary and inappropriate under the intent-to-use application system proposed by S. 1883. It is therefore important that the definition of "use in commerce" set forth in section 45 of the Act be strengthened to reflect this significant change in the law. S. 1883 does this by adding the following new sentence to that definition:

> "The term 'use in commerce' means use of a mark in the ordinary course of trade, commensurate with the circumstances, and not made merely to reserve a right in a mark."

While this new language will be subject to judicial interpretation, it specifically contemplates real commercial use common to a particular industry. Nevertheless, the language is flexible enough to encompass various genuine but less traditional trademark uses such as those made in small-area test markets, infrequent sales of very expensive products, ongoing shipments of a new drug to clinical investigators by a company awaiting FDA approval, or filings under state law to obtain permission to offer new insurance services. It also reflects the possibility that use may be interrupted due to special circumstances.

The new definition will apply to all aspects of the Act which reference use. Among its more notable implications are the effect it will have on (i) those applying for registration based on pre-application use, (ii) registrants submitting the affidavit of use required during the sixth year of a registration, (iii) registrants applying for renewal, and (iv) determinations of whether a trademark owner has abandoned its mark. (To emphasize that this new definition of use applies throughout the Act, S. 1883 deletes words that might imply that there are different levels or types of use, e.g., "actually" in section 1.)

Conforming Amendments. In addition to the amendments discussed above, S. 1883 makes conforming amendments to section 2(d); sections 3 and 4; section 6(b); section 10; sections 18, 21(a)(4), 21(b)(1), 24 and 34(a); section 23; sections 26 and 30; as well as to several of the definitions found in section 45 of the Act. These amendments reflect less significant, but nonetheless important, aspects of the proposed intent-to-use application system.

1. In section 2(d), language is added to give the PTO statutory authority to suspend an application if the mark is the

subject of a previously filed pending application. This will codify existing PTO practice regarding use-based applications to reflect the weight attached to the filing of an application flowing from constructive use priority.

2. Sections 3 and 4 are amended to provide that applications to register service marks, collective marks and certification marks, like trademarks, can be filed on the basis of intent-to-use. This is accomplished by deleting the requirement that they must be "used in commerce".

3. A technical amendment is made to section 6(b) to reflect the inclusion of new section 7(c), dealing with constructive use.

4. Section 10 is amended to stipulate that an intent-to-use application cannot be assigned, except to a successor to that portion of the applicant's business to which use of the mark applies, prior to the applicant filing its statement of use. This amendment is consistent with the principle that a mark cannot be assigned without the business cr goodwill attached to its use and will discourage trafficking in marks.

5. Because consumer confusion cannot arise without use, final judgments in favor of intent-to-use applicants alleging likelihood of confusion based solely on their application will not be entered until the mark is registered. Judgments will not be suspended on descriptiveness or any similar grounds. S. 1883 amends sections 18, 21(a)(4), 21(b)(1), 24 and 34(a), which deal with PTO decisions, court determinations and the availability of injunctive relief accordingly.

6. Sections 23 through 27 of the Lanham Act make provision for the supplemental register. As marks applied for registration on the supplemental register do not become protectible until they acquire distinctiveness through use, S. 1883 amends sections 23 and 26 of the Act to provide that applicants for registration on

the supplemental register will be prohibited from filing on the basis of intent-to-use and from obtaining constructive use priority.

7. S. 1883 amends the classification section of the Act, section 30, to add reference to the fact that an applicant may apply to register a mark for any or all of the goods or services for which it has a bona fide intention to use the mark.

8. Presently, trademarks, service marks, certification marks, and collective marks are defined in section 45 of the Act only in terms of their having been used. S. 1883 amends each to add language conveying that these terms encompass marks for which a person has filed an application for registration on the basis of intent-to-use.

2. Reliability of the Federal Trademark Register

The second major focus of S. 1883 in terms of improving the federal trademark registration system is to amend the Lanham Act in order to increase the reliability of the trademark register. As the register is searched and relied upon by individuals and companies seeking to determine the availability of marks, it is important that the register present a valid picture of the marks that are in use and the goods and services for which they are being used.

Removal of "Deadwood". S. 1883 confronts the problem posed by the volume of abandoned or inactive marks ("deadwood") on the federal register in three ways. USTA strongly supports these proposals because they will enlarge the pool of available marks and because they will improve the efficacy and integrity of the registration system overall.

First, S. 1883 amends sections 8 and 9 of the Act to decrease the terms of trademark registrations and renewals from twenty to ten years. In terms of impact on the "deadwood" problem, the Trademark Review Commission calculated that approximately fifteen percent, or over 49,200, of the active registrations issued from 1966 to 1985 would lapse at the end of a ten year term. Because reducing the term of registration will increase the frequency of renewals, and therefore the cost of maintaining a trademark registration, USTA urges that the PTO decrease the renewal fee it charges if this amendment is enacted.

Second, S. 1883 imposes stricter requirements for maintaining a registration beyond its initial six years. Through amendment of section 8(a) of the Act, S. 1883 will require the owner of a trademark registration to file an affidavit with the Patent and Trademark Office stating that the mark is in use on or in connection with all the specified goods or services and will have to provide specimens or facsimiles evidencing that use. Section 8 currently requires only that the registrant state that the mark is in use. The amended section 8 requirements parallel those that are presently required at the time a mark is renewed.

Third, S. 1883's definition of use in commerce will have a dual effect on deadwood: (i) it will preclude the issuance of registrations based on token use, thereby reducing the number of registered marks for which commercial use has not been made, and (ii) it will increase the use requirements both for maintaining registrations at the time section 8 affidavits and renewal applications are filed and for defending marks against a claim of abandonment. Thus, S. 1883 will also dramatically decrease the number of "warehoused" marks.

Greater Flexibility for the TTAB. S. 1883 amends section 18 of the Lanham Act to give the Trademark Trial and Appeal Board (TTAB) the authority (i) to modify the descriptions of goods or services recited in an application or registration if doing so will avoid likelihood of confusion on the register, and (ii) to determine trademark ownership rights where they are at variance with the register. USTA suppports these changes because they will allow the TTAB to base trademark registration decisions on actual marketplace factors, rather than hypothetical considerations, and will permit it to resolve issues that would otherwise require a court proceeding.

The first change will permit the TTAB to consider differences in trade channels and products that may not be evident from the goods or services description set forth in an application or registration. The TRC Report offers the following example. Presently, the TTAB must assume that the description "men's shirts" covers all types of shirts sold through all conceivable trade channels, even though these shirts may be made of heavy duty wool, are designed as protective clothing for coal miners and are sold only through mining company outlets. The proposed amendment will allow the TTAB to modify the description to read "protective woolen shirts for coal miners", and in all likelihood, to decide that confusion with a similar mark used on tee shirts sold at rock concerts is unlikely.

The second change will give the TTAB authority to decide certain ownership rights that presently can be decided only by court action. In this case, the TRC Report offers the example of a cancellation petitioner who acquires ownership of a mark through a constructive trust. The amendment will permit the TTAB to correct the register to reflect this fact.

Cancellation of Registrations. S. 1883 amends section 14(c) of the Lanham Act in three ways: first, it eliminates the possibility that a registration might be canceled if the mark becomes the generic name of "an article or substance" for which the mark is not even registered; second, it provides that a petition to cancel the registration of a mark on the grounds that the mark has become a generic term may be confined to only those goods or services for which the mark has actually become generic; and third, it corrects a deficiency in the Act by providing that, like a trademark registration, a service mark registration may be canceled if the mark becomes a generic term for the service for which the mark is registered. USTA supports these amendments because they, like those discussed above, will help assure the integrity of the register.

3. Other Improvements to the Registration System

Concurrent Use Registrations. In cases where a party applies to register a mark after another party has filed an application to register the same mark, S. 1883 amends section 2(d) to permit the Commissioner of Patents and Trademarks to issue a registration allowing the second party to use the mark concurrently with the first if the first party agrees to the issuance of the registration and the Commissioner finds that there will be no likelihood of confusion. USTA supports this amendment because it will encourage the amicable settlement of disputes over geographic trademark rights and will avoid litigation.

Secondary Meaning. Certain marks (e.g., trademarks that describe qualities of the products on which they are used) are not registrable unless the applicant submits proof that the mark has become distinctive of its goods or services (i.e., that the mark has acquired "secondary meaning"). S. 1883 changes the time frame by which the Patent and Trademark Office gauges the acceptability of this proof (five years of substantially exclusive and continuous use) to base it on the date the offer of proof is made, rather than on the date the application for registration is filed. USTA supports this amendment to section 2(f) of the Act because it will allow an applicant to benefit from the time its application is pending before the Patent and Trademark Office.

Additional Registers. S. 1883 eliminates unnecessary language from the Act by amending sections 3 and 4 to delete provision for separate registers for service marks and collective and certification marks. These marks are presently registrable on both the principal and supplemental registers.

Collective Marks. The language of section 4 currently implies that the owner of a registered collective mark cannot make or sell the goods or perform the services on or in connection with which the mark is used. USTA supports S. 1883's clarification of this section to accurately reflect that the noted limitation, according to the definitions of both collective and certification marks, applies only to certification marks.

First Use by a Licensee. S. 1883 codifies Trademark Rule 2.38(a) to expressly provide in section 5 that when first use of a mark is by a licensee that use will inure to the benefit of the applicant or registrant. Consistent with prevailing case law that a mark may be validly licensed before it is used, this provision will apply whether an applicant files on the basis of use or intent-to-use.

Evidentiary Benefits of Registration. For no apparent reason, the three evidentiary provisions of the Lanham Act read differently. Section 7(b) provides that a certificate of registration is "prima facie evidence of the validity of the registration, of registrant's ownership of the mark, and of registrant's exclusive right to use the mark in commerce in connection with the goods and services specified in the certificate...." In contrast, section 33(a) states only that registration is "prima facie evidence of registrant's exclusive right to use the registered mark in commerce on the goods or services specified in the registration...." And, finally, section 33(b) sets forth that an incontestable registration is "conclusive evidence of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the affidavit filed under...section 15...."

S. 1883 conforms the language of these three sections so that each provides that registration offers "...evidence of the validity of the registered mark and of the registration thereof, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services...."

Costs of Ex Parte Appeals. S. 1883 amends section 21(b)(3) to give the courts discretion instead of necessarily charging all the expenses of the proceeding to the party appealing an ex parte decision from the TTAB. USTA supports this amendment because it will permit the court to make an appropriate allocation of expenses and will assure that the PTO seriously considers the need for incurring certain expenses in ex parte appeals.

The Supplemental Register. S. 1883 appropriately eliminates (i) the requirement that a trademark owner use its mark for one year prior to the filing of an application to register the mark on the supplemental register and (ii) any inference that application for or registration of a mark on the supplemental register constitutes an admission that the mark has not acquired secondary meaning. USTA supports both of these changes to section 23 of the Lanham Act.

The first will facilitate both registration on the supplemental register and make it easier for U.S. trademark owners to obtain foreign protection for their rights. The second will codify the holding in California Cooler, Inc. v. Loretto Winery, Ltd., 774 F2d 1451, 1454, 227 USPQ 808, 809-10 (CA 9 1985), that a supplemental registrant is not barred from establishing secondary meaning against an alleged infringer using the mark at the time of registration.

Incontestable Registrations. S. 1883 revises section 33(b) of the Act to remove several ambiguities relating to incontestable registrations. Specifically, it makes clear that incontestability does not relieve a trademark owner from the burden of proving likelihood of confusion. As the section currently reads, it could be interpreted to mean that infringement of an incontestable registration is automatic.

It also eliminates the present conflict between two lines of judicial authority by expressly allowing equitable defenses, such as laches, to be asserted in an action based on an incontestable registration. USTA believes that these defenses should be specifically allowed. Without them, the owner of an incontestable registration would prevail even if it delayed bringing an action for many years, without excuse, during which time a competitor would build up its business and its own goodwill.

Last, S. 1883 codifies judicial decisions holding that the enumerated defenses to an action for infringement of an incontestable registration found in section 33(b) of the Act are applicable in actions for infringement of a mark which is not incontestable.

4. Benefits of Trademark Registration

Optimally, the federal trademark register should accurately reflect all marks that are used in commerce and a search of the PTO's records should alert all potential users to the possibility of conflicts. Unfortunately, this is not the case. One leading trademark search firm, in addition to searching the nearly 690,000 active registrations and applications at the PTO, searches the 1.7 million abandoned marks, 586,000 state registrations, a trade name data base containing over 8 million records, a data base of 880,000 unregistered common law marks, and various trade and telephone directories in preparing a search report.

S. 1883 includes two important incentives that will further the purposes of the Lanham Act by promoting the wider use of the trademark registration system. The first is constructive use priority which, as discussed above, will be available to all applicants subject to their obtaining registration for their marks. The second is discussed below. It will make federal registration of a mark a complete defense to a claim of dilution under state or common law.

B. Lanham Act Definitions

In addition to revising the definitions of "use in commerce", "trademark", "service mark", "collective mark" and "certification mark" as discussed with respect to intent-to-use and adding a new definition of the term "dilution", S. 1883 proposes several other amendments to the Act's definitions. Each will modernize and clarify the terms used throughout the Act and will make them more consistent with judicial interpretation. USTA does not perceive any of the proposed modifications to be controversial.

Related Company. S. 1883 revises the definition of "related company" by eliminating the word "legitimately" (any inference that use or control of a mark can be illegitimate is avoided by the term's continued presence in section 5 of the Act) and by resolving confusion about whether a related company can control the registrant or applicant as to the nature and quality of the goods or services.

Trade Name, Commercial Name. The legislation revises the definition of "trade name, commercial name" to eliminate redundancies and excess verbiage by including in it the all-encompassing "person" which is defined elsewhere in section 45 of the Act. This revision will not alter current law which precludes the registration of trade names when they are not used on or in connection with goods or services.

Trademark. Beyond revising the definition of "trademark" to conform it to the proposed intent-to-use application system, S. 1883 amends this definition to reflect contemporary marketing practices and to clarify a trademark's function of distinguishing the goods of one person from those of another. The revised language should not alter (i) the term's current inclusion, by implication, of attributes such as standards of quality, reputation, and goodwill; (ii) the requirement that a trademark must be used "on or in connection with goods"; and, (iii) the subject matter which has historically qualified as a trademark or service mark.

Service Mark, Certification Mark and Collective Mark. These definitions are amended only to conform them to the revised definition of trademark.

Mark. The definition of "mark" is amended to reflect that marks can exist at common law or in intrastate use.

Use in Commerce. Beyond amending the definition of "use in commerce" in accordance with the intent-to-use proposal, S. 1883 relaxes the affixation requirement in the particular case of goods sold in bulk. It provides that use in commerce on products such as oil, chemicals, and grain, when shipped in railroad cars, ships, aircrafts, or other vehicles, can be established through the mark's use "on documents associated with the goods or their sale".

Abandonment of Mark. S. 1883 restates the new language added to the definition of "use in commerce" in the definition of "abandonment of mark" to deal with common law and strictly intrastate use of marks. The definition is also revised to clarify its meaning and to be consistent with the other provisions of the

Act by adding after "prima facie" the words "evidence of". The revised definition retains the current standard for abandonment, which requires intent, together with an objective two year nonuse period.

Common Descriptive Name. Although not defined in section 45 or elsewhere in the Act, the term "common descriptive name" is archaic and S. 1883 replaces it with "generic name" in sections 14(c) and 15(4) of the Act.

C. Enhanced Unfair Competition Provisions

The language of section 43 of the Lanham Act is narrowly drawn and, when enacted in 1946, was intended simply to address false designations of origin. Since then the courts have widely interpreted it to fill a gap in federal law by making it, in essence, a federal law of unfair competition.

1. Revision of Section 43(a)

S. 1883 amends section 43(a) of the Lanham Act to conform it to the expanded scope it has been given by the courts. It (i) makes misrepresentations (e.g., false advertising claims) about another's products or services actionable (under present law, actions are limited to misrepresentations about one's own products or services), (ii) codifies existing case law which extends the remedies available in cases involving registered marks to cases brought under the section where no registration is involved, and (iii) protects trademarks from injurious acts which disparage and tarnish their reputations.

False Advertising. Despite the fact that the Lanham Act is basically a trademark statute, the courts in the 1970s extended section 43(a) to broadly cover unfair competition arising from instances of false advertising. Case law now provides that material factual misrepresentations which rise above mere puffery and which pertain to the advertiser's own products or services are ordinarily actionable as a "false description or representation". However, based on the decision in Bernard Food Industries v. Dietene Co., 415 F2d 1279, 163 USPQ 264 (CA 7 1969), cert denied 397 US 912, 164 USPQ 481 (1970), the court's have refused to similarly provide that misrepresentations about a competitor's products or services are equally actionable under section 43(a).

This holding remains despite the clear language of the Act which currently provides that "use in connection with any goods or services ... or any false description or representation, including words or symbols tending falsely to describe or represent the same" is actionable. The effect of this is illogical on both practical and public policy levels. While trade libel and product disparagement are historically the exclusive purview of state courts, the national policy of deterring acts of unfair competition will be served if section 43(a) is amended to make clear that misrepresentations about another's products are as actionable as misrepresentations about one's own.

Remedies. The remedies found in sections 34, 35 and 36 of the Lanham Act, apply only to violations of a registered trademark and do not specifically extend to violations under section 43(a) that do not involve a registered mark. The courts increasingly are disregarding this limitation and S. 1883 amends these sections to eliminate any uncertainty by expressly providing that profits, damages, and costs, as well as injunctive relief and destruction orders, do not require ownership of a registration.

For example, Section 35(a) of the Act allows for the recovery of profits, damages and fees, but limits them to cases of infringement of a registered mark where the owner gives actual notice of the registration. Despite this, the Eighth, Ninth and Eleventh Circuits have concluded otherwise and awarded profits and damages. With respect to the recovery of fees, which also is addressed in section 35(a), both the Second and the Seventh Circuits have awarded them, but the Third Circuit has expressed "doubts whether [it] should rectify Congress's oversight and hold that attorney's fees are available". Standard Terry Mills, Inc. v. Shen Mfg. Co., 803 F2d 778, 782, 231 USPQ 555, 559 (CA 3 1986).

In light of the expansion of section 43(a) to cover types of unfair competition that were not envisioned when the Lanham Act was written and to remove uncertainty and inconsistency, it is important that the Lanham Act's remedies be extended to actions under section 43(a) which do not involve a registered mark.

Tarnishment and Disparagement. S. 1883 creates a separate ground for relief for trademark tarnishment and disparagement to deal with trademark uses which reach beyond parody and humor, to acts of ridicule and insult that can be highly detrimental to a trademark owner's goodwill and reputation and can cause the loss of consumer loyalty and trade. Trademark infringement and dilution are two possible existing grounds of relief, but often do not fit conceptually.

In supporting this provision, USTA recognizes that the line between that which amuses and that which harms cannot easily be drawn and that First Amendment issues may arise when use of a mark which disparages or tarnishes appears in a publication or in the form of social or political commentary, or protest. Nonetheless, the tarnishment and disparagement of marks are real injuries and the courts must have a vehicle for providing relief when it is appropriate.

2. Protection of Famous Marks from Dilution

S. 1883 adds a new section 43(c) to the Lanham Act which creates a highly selective federal cause of action which protects federally-registered marks that are truly famous from uses that trade upon their goodwill and exceptional renown and dilute their distinctive quality. USTA urges its adoption because the absence of dilution protection creates a serious gap in the protection federal law provides trademarks and because it offers an important new incentive encouraging greater use of the federal registration system.

The protection of marks from dilution is distinguished from the protection of marks from infringement. It does not rely upon the standard test of likelihood of confusion, deception or mistake. Rather, it applies when use of a mark by other than its owner has the effect of destroying the public's perception that the mark signifies something unique, singular or particular. As commented in one decision:

> "Dilution is an injury that differs materially from that arising out of the orthodox confusion. Even in the absence of confusion, the potency of a mark may be debilitated by another's use. This is the essence of dilution. Confusion leads to immediate injury, while dilution is an infection, which, if allowed to spread, will inevitably destroy the advertising value of the mark." Mortellito v. Nina of California, Inc., 335 FSupp 1288, 173 USPQ 346, 351 (SDNY 1972).

The concept of dilution focuses on the investment the owner has made in the mark and on the commercial value and aura of the mark itself, protecting both from those who would appropriate the mark for their own benefit. As stated by the Oregon Supreme Court in 1983:

> "A mark may possess independent protectible value to the extent that it acquires advertising and selling power.
>
> "In the context of dilution, the protectible quality of a mark has been defined as the mark's power to evoke images of the product, that is, its favorable associational value in the minds of consumers. This attribute may be developed in a variety of ways: long use, consistent superior quality instilling consumer satisfaction, extensive advertising....

> "In application the existence of the mark's distinctive quality must be proven by demonstrating what the mark signifies to the consuming public.... If the mark has come to signify plaintiff's product in the minds of a significant portion of consumers and if the mark evokes favorable images of plaintiff or its product it possesses the distinctive quality of advertising value -- consumer recognition, association and acceptance -- and will be entitled to protection from dilution." Wedgewood Homes, Inc. v. Lund, 659 P2d 377, 380, 222 USPQ 446, 449 (Or Sup Ct 1983)(en banc).

Although S. 1883 represents the first effort to define and address the problem of dilution federally, the concept is not new to the laws of other countries or to state law. Internationally, many countries, by way of indirect protection, permit "defensive registrations" by the owners of well-known marks and waive any use that might be required to maintain such registrations. In others the need does not arise because trademark rights may exist in gross. Nonetheless, many foreign countries have directly addressed the concept in their national laws and through judicial decision.

In the United States, Massachusetts adopted a dilution statute in 1947 and, since that time, twenty-two other states have followed suit. For the most part, these state laws are identical and are patterned after language in the Model State Trademark Bill:

> "Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark registered under this Act, or a mark valid at common law, shall be a ground for injunctive relief notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services."

Foundation for the dilution protection provided in S. 1883 also exists in federal law. First, such a provision would be consistent with Congressional intent, as articulated by the Supreme Court in Park 'N Fly, Inc. v. Dollar Park and Fly, Inc., 469 US 189, 193, 105 S Ct 658, 83 L Ed2d 582, 224 USPQ 327, 329 (1985):

> "Because trademarks desirably promote competition and the maintenance of product quality, Congress determined that a 'sound public policy requires that trademarks should receive nationally the greatest protection that can be given them.'"

Second, and more recently, the Supreme Court said that Congress "could determine that unauthorized uses, even if not confusing, nevertheless may harm the [U.S. Olympic Committee] by lessening the distinctiveness and thus the commercial value of the marks." San Franciso Arts & Athletics, Inc. v. United States Olympic Committee, __ US __, 55 USLW 5061, 5065, 3 USPQ2d 1145, 1153. It is important, however, to distinguish the Court's decision in the Olympic case from the dilution provision proposed by S. 1883. Whereas in the former the Court relied upon the special status Congress conferred on the word "Olympic" under the Amateur Sports Act of 1978, under S. 1883, a mark would be protected from dilution only after a court considered factors such as the degree of inherent or acquired distinctiveness of the mark and the nature and extent of use of the same or similar mark by other parties.

S. 1883 defines dilution as:

> "...the lessening of the capacity of registrant's mark to identify and distinguish goods or services, regardless of the presence or absence of (1) competition between the parties, or (2) likelihood of confusion, mistake or deception."

And, it makes it applicable to only those registered marks which are both distinctive and famous. To achieve this, it identifies several key factors the courts minimally should consider in determining whether a mark meets these standards. In addition to the mark's distinctiveness and its substantially exclusive use throughout a significant portion of the United States, which are noted above, they are: (i) the duration and extent of use, advertising and publicity of the mark, (ii) the geographical extent of the trading area and the channels of trade in which the mark is used, and (iii) the degree of recognition of the mark.

On a finding of dilution, the remedy provided by S. 1883 is injunctive relief, unless willful intent can be shown. If willfulness can be shown, the remedies set forth in sections 35(a) and 36 of the Act can be applied.

Importantly, S. 1883 would not preempt state dilution statutes. They would continue to have jurisdiction to protect locally famous or distinctive marks. At the same time, however, S. 1883 specifically provides that a valid federal registration will be a complete defense to a claim of dilution under state or common law.

There are three reasons why a federal registration should be a bar to a state or common law claim of dilution. First, a federal registration affords rights that are in conflict with state dilution laws and in this instance, a federal registration should be preemptive. Second, permitting a state to regulate the use of a federally-registered mark is inconsistent with the intent of the Lanham Act "to protect registered marks used in such commerce from interference by State, or territorial legislation." Finally, making a federal registration a defense to a state dilution action encourages the federal registration of marks and gives greater certainty to a federal registrant of its right to use the mark in commerce, without the possibility of attack based on a state claim.

D. Security Interests in Trademarks

S. 1883 creates a procedure for filing a security interest in a mark, defines the nature of the interest (what rights a secured party obtains in a debtor's trademarks), and clarifies the mechanics of enforcing such interests (where filings should be made and how to effect foreclosure). A new section 10(b) of the Lanham Act will provide:

1. A security interest in a federally registered mark can only be obtained by filing in the Patent and Trademark Office.

2. Since a mark cannot be assigned under section 10 of the Lanham Act without goodwill, a security interest will be granted in both the mark and the goodwill which accompanies the mark.

3. The holder of a security interest will have two basic rights: (i) the right to foreclose on the mark and its accompanying goodwill and (ii) the right to proceeds from the sale of the mark.

Article 9 of the Uniform Commercial Code, which governs security interests in most personal property, including intangible property, and is intended to simplify and lend certainty to the manner in which such interests are obtained and perfected, is not equipped to deal adequately with trademarks. The reasons for this are many and include the fact that trademarks, unlike other types of personal property cannot pass unrestricted when a debtor fails to pay a creditor and that, except for registration documents, trademarks do not have a tangible presence evidencing ownership that can be repossessed.

By making provision for security interests in the Lanham Act, S. 1883 achieves several important objectives. First, it assures that collateral is available to a creditor in the event of a debtor's default by clarifying what is necessary to retain rights in the mark. Second, it enunciates for the PTO and others the important distinction between security interests and assignments (where ownership rights are actually transferred). And, third, it resolves for the courts the ambiguity that exists over how a security interest is obtained, especially where no one filing has clearly preempted the others.

III. CONCLUSION

S. 1883 embodies worthy legislative proposals that reflect two and one half years of participation and consensus-building in the private sector. Its enactment will:

1. modernize the forty-one-year old Lanham Act, clarifying its provisions, removing inconsistencies, conforming it to judicial interpretation and updating it to reflect modern day commercial realities;

2. reduce the advantage foreign nationals currently enjoy in obtaining U.S. trademark rights;

3. eliminate unnecessary and costly uncertainty for small and large companies in lauching new products and reduce the geographic fragmentation of trademark rights;

4. encourage greater use of the trademark registration system;

5. improve and make the trademark system more equitable for small entrepreneurs and corporate trademark owners;

6. enhance the climate for investment by providing businesses with greater assurance in introducing new products and by more accurately reflecting the time and resources that are required;

7. ease the introduction of new products and improve the integrity of the federal trademark registration system by removing from the register marks that are no longer in use;

8. create commercially-sound procedures for establishing trademark rights without altering the fundamental principles of U.S. trademark law;

9. promote fair competition by preventing others from trading on the goodwill that someone else has built in a truly famous and distinctive mark;

10. reduce unfair competition by strengthening federal law against false advertising;

11. provide the courts with a clearer basis for interpreting trademark and unfair competition law and for resolving trademark and unfair competition disputes; and

12. require no expenditure of tax dollars to implement.

It is not surprising that S. 1883, despite its complexity, has garnered the support and endorsement of so many individuals, companies and organizations since its introduction only four months ago. Moreover, USTA has every reason to believe that this support will continue to grow and strengthen.

Mr. Chairman, USTA is pleased to give this legislation its full support and welcomes the opportunity to work with you and the members of the Subcommittee in securing its early enactment into law.

Thank You.

ROBERT J. ECK

Robert J. Eck is Senior Assistant General Counsel-Trademarks for Philip Morris Incorporated (New York City), a position he has held since January 1980. Prior to joining Philip Morris Incorporated, he was employed by The Seven-Up Company as Trademark Counsel for nine years (1971-1980) and was engaged in the private practice of law for eight years. Mr. Eck is a graduate of Washington University in St. Louis, Missouri, receiving a B.S.C.E. in 1961 and his J.D. in 1964.

Mr. Eck was elected president of The United States Trademark Association in May 1987. He is a member of the New York and Missouri Bars; the Patent, Trademark and Copyright Section of the American Bar Association, AIPPI, ASIPI, the International Bar Association and the Inter-American Bar Association. He is a past chairman of the Patent, Trademark and Copyright Section of the Bar Association of St. Louis (1976-77).

STATEMENT OF THE UNITED STATES TRADEMARK ASSOCIATION

Errata

On page 33 of the prepared statement, the definition of "dilution" as set forth in S. 1883 should read:

> "...the lessening of the distinctive quality of a famous mark through use of the mark by another person, regardless of the presence or absence of (1) competition between the users of the mark, or (2) likelihood of confusion, mistake, or deception arising from that use."

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EXECUTIVE OFFICES

THE UNITED STATES TRADEMARK ASSOCIATION

The United States Trademark Association (USTA) is a 110-year-old not-for-profit membership organization. Since its founding in 1878, its membership has grown from twelve New York-based manufacturers to approximately 1900 members that are drawn from across the United States and from about 80 countries.

Membership in USTA is open to trademark owners and to those who serve trademark owners. Its members are corporations, advertising agencies, professional and trade associations, and law firms. USTA's membership crosses all industry lines, spanning a broad range of manufacturing, retail and service operations. Members include both small and large businesses and all sizes of general practice and intellectual property law firms. Equally important, USTA's members are both plaintiffs and defendants in disputes involving trademark rights. What this diverse group has in common is a shared interest in trademarks and a recognition of the importance of trademarks to their owners and to consumers.

USTA has five principal goals: (1) to support and advance trademarks as an essential element of effective commerce throughout the world; (2) to protect the interests of the public in the use of trademarks; (3) to educate business, the press and the public to the importance of trademarks; (4) to play an active leadership role in matters of public policy concerning trademarks; and, (5) to provide a comprehensive range of services to its members that includes keeping them well-informed of current trademark developments and in touch with professional colleagues.

USTA is governed by a volunteer Board of Directors elected annually from among its members. In addition, over 20 committees, consisting of over 500 volunteers, work with USTA's Executive Director and its small professional staff in carrying out USTA's objectives.

USTA's activities and programs are as extensive and varied as its membership:

o USTA publishes a variety of books and other publications, including The Trademark Reporter, a bi-monthly law journal that is frequently cited as the authoritative publication in the fields of trademark and unfair competition law. It also provides a Bulletin Service which reports legal, legislative, regulatory and trademark law developments in over 140 jurisdictions around the world and it produces a series of Executive Newsletters which analyze, in non-legal terminology, developments and trends in the field of trademarks. Among the books it has published are U.S. Trademark Law: Rules of Practice, Forms and Federal Statutes; Handbook for the Executive as a Witness; The Trademark Law Handbook; Trademark Management; Protection of Corporate Names: A Country by Country by Country Survey; and, State Trademark and Unfair Competition Law.

o USTA maintains an extensive 2000-plus-volume library for use by its members and the public and operates a multi-faceted reference service which responds to thousands of requests each year. This reference service includes a Trademark Hotline Program that offers the media a resource for checking the spelling and proper use of individual trademarks so that printed articles will not use trademarks incorrectly. Closely related is USTA's Dictionary Listings Program. Through it, USTA works to obtain the cooperation of leading dictionary publishers and lexicographers in order that trademarks will be accurately designated in dictionaries and stylebooks.

o USTA conducts frequent educational programs and meetings. These programs include one-to-three day forums, in the United States and abroad, that are geared to a range of audiences. It also sponsors informal discussion groups (roundtables) where members discuss and often debate recent trademark law developments. USTA's Annual Meeting, which is the largest annual gathering of trademark owners and professionals from around the world, is regularly attended by 2,000 individuals.

o USTA represents the broad public and private interests served by trademarks in legislative and regulatory proceedings and before the courts and, although it does not act frequently, it readily and actively participates whenever issues affecting all trademark owners and the purposes and functions of trademarks are involved. USTA's involvement was instrumental to enactment of the Federal Trademark Act of 1946 (the Lanham Act) and its predecessors; the Trademark Counterfeiting Act of 1984; the Trademark Display Act; the Trademark Reform Act; and to the formulation and subsequent adoption by 46 six states of the Model State Trademark Bill. It has also left its imprint on U.S. Trademark Office operations and policies.

o USTA has been recognized as an official non-government observer to the World Intellectual Property Organization (WIPO) since 1979 and it has and continues to be called upon to participate in informal discussions at the earliest stages of WIPO's trademark initiatives. USTA makes itself available to the United Nations, the U.S. Government and other organizations to meet with dignatories from foreign countries. In addition, through its International Generic Word Program, USTA and its members cooperate with the U.S. Patent and Trademark Office in identifying and challenging the international registration of generic and merely descriptive terms as trademarks.

S. 1883, "THE TRADEMARK LAW REVISION ACT

Statement of The United States Trademark Association
March 15, 1988

Summary

The United States Trademark Association supports S. 1883 and its early enactment into law. This important legislation embodies worthy legislative proposals that reflect two and one half years of participation and consensus-building in the private sector. Its enactment will:

1. modernize the forty-one-year old Lanham Act, clarifying its provisions, removing inconsistencies, conforming it to judicial interpretation and updating it to reflect modern day commercial realities;

2. reduce the advantage foreign nationals currently enjoy in obtaining U.S. trademark rights;

3. eliminate unnecessary and costly uncertainty for small and large companies in lauching new products and reduce the geographic fragmentation of trademark rights;

4. encourage greater use of the trademark registration system;

5. improve and make the trademark system more equitable for small entrepreneurs and corporate trademark owners;

6. enhance the climate for investment by providing businesses with greater assurance in introducing new products and by more accurately reflecting the time and resources that are required;

7. ease the introduction of new products and improve the integrity of the federal trademark registration system by removing from the register marks that are no longer in use;

8. create commercially-sound procedures for establishing trademark rights without altering the fundamental principles of U.S. trademark law;

9. promote fair competition by preventing others from trading on the goodwill that someone else has built in a truly famous and distinctive mark;

10. reduce unfair competition by strengthening federal law against false advertising;

11. provide the courts with a clearer basis for interpreting trademark and unfair competition law and for resolving trademark and unfair competition disputes; and

12. require no expenditure of tax dollars to implement.

KRAFT

MICHAEL A. MILES
PRESIDENT

March 10, 1988

The Honorable Dennis DeConcini
Chairman, Subcommittee on Patents,
 Copyrights and Trademarks
Room SH-327 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator DeConcini:

I would like to submit my written statement, attached to this letter, to be considered as part of the record of the March 15 Hearings on S. 1883, the "Trademark Law Revision Act."

Kraft, Inc. endorses and supports S. 1883.

Sincerely,

KRAFT COURT GLENVIEW ILLINOIS 60025

S. 1883 (DeConcini)
The Trademark Law Revision Act

Statement of Michael A. Miles,
President, Kraft, Inc.

Subcommittee on Patents, Copyrights and Trademarks
Committee on the Judiciary
United States Senate
March 15, 1988

Kraft, Inc. endorses and supports S. 1883.

Trademarks are important to Kraft and are considered among our most valuable assets. Consumer products are a major segment of our business and we rely on our trademarks and their good will to advertise and promote our products and to identify and distinguish them from products of others.

We recognize that trademarks are valuable not only to trademark owners but also to the consuming public which relies on them to identify high quality products.

The intent to use provisions of S. 1883 are of particular interest to us, as they must be for any business or industry, large or small. New product introduction is vital for business growth and the ability to add certainty to the trademark selection and adoption process is of immeasurable value. Kraft appreciates not having to engage in the practice of contrived token use shipments to establish trademark rights. The proposed intent to use provisions reduce the advantages the law grants to foreign trademark owners and brings the U.S. statute into conformity with worldwide law and practices. Any system which enables a business to operate with greater certainty and efficiency should be supported.

The amendment of the unfair competition provisions of the trademark statute to provide relief for false advertising claims and misrepresentations about another's products as well as one's own products is logical and fair and Kraft urges the adoption of this amendment.

Kraft accepts the arguments in favor of creating a federal cause of action to protect marks which are distinctive and famous from dilution. A remedy should be provided to prevent others from unfairly trading upon the goodwill and renown of such marks, regardless of competition.

Kraft acknowledges that there are many other significant provisions in S. 1883 which should be enacted to bring the trademark statute up to date and to reflect current business realities. The intent of S. 1883 is to strengthen the U.S. trademark system for the benefit of the trademark owner and business in general and the consuming public. Kraft urges the enactment of S. 1883.

The Trademark Reporter®

USTA
TRADEMARK REVIEW COMMISSION

Report and Recommendations on the United States Trademark System and the Lanham Act

The Official Journal of The United States Trademark Association

Vol. 77 September–October, 1987 No. 5

THE UNITED STATES TRADEMARK ASSOCIATION

An Organization for the Development and Protection of Trademarks
6 East 45th Street, New York, N.Y. 10017
212-986-5880

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(USPS 636-080)
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DEDICATION

In memory of our friend and colleague

GERARD E. MURPHY
1938—September 18, 1987

USTA Board of Directors
Trademark Review Commission

whose contributions to this and a long list of other USTA projects were many; whose scholarship and wise counsel assisted us all during the deliberations of TRC and at the presentation of the Report to the Board of Directors; and whose unfailing sense of humor helped keep our work in perspective and our spirits high.

FOREWORD

The following pages contain the culmination of one of the most ambitious projects undertaken by USTA—the full, unedited Report and Recommendations of the Trademark Review Commission (TRC). The Report and Recommendations was submitted to the USTA Board of Directors on August 21, 1987 and adopted in its entirety on September 13, 1987.

The Commission was chartered in 1985 as a USTA Special Committee to evaluate the effectiveness of the United States trademark system, including a study of all pertinent statutory laws, rules, regulations and case law, and to make recommendations for improvements. While the Report itself is testimony of the scope and quality of the TRC's work in executing its assignment, the extraordinary efforts of the Commission are worthy of special commendation. What may not be apparent, however, is the TRC members' commitment to abandon their individual preconceived ideas, to research and study basic issues, to reflect on the solicited views of many other individuals, organizations and corporations, and to reach a group consensus. Indeed, each member of the TRC may have personally desired a different approach to, or treatment of, certain issues but through the most lively debates an appreciation emerged that the most effective United States trademark system was one that served the interests of all. In the end, such a spirit enabled the Commission to approve the Report unanimously.

Our thanks go to each of the TRC members and senior advisers, and to their corporations and firms who so generously supported this project. If measured in dollars, USTA could not possibly have afforded the costs and time contributed so generously by the participants. Appropriately, I reproduce the resolution adopted September 13, 1987:

> IT IS HEREBY RESOLVED that the Board of Directors expresses its collective gratitude and admiration for the outstanding service performed by the members of the Trademark Review Commission in carrying out one of the most ambitious and important projects ever undertaken by this Association. The final Report of the TRC not only demonstrates excellent and diligent scholarship but, moreover, reflects a clear sense of purpose and dedication to improving the trademark legal system for all trademark owners and the public. We also wish to rec-

ognize the outstanding individual contributions of each and every TRC member, as it is clear that a great amount of personal time, effort and expense was dedicated to making this project a success.

A special thanks to Dolores Hanna, who chaired the Commission, and to Reporter Jerome Gilson, who edited the Report. His writing skill in integrating and editing the individual committee reports into a monolithic, flowing style will be evident by all who read the Report.

Robert J. Eck, President
The United States Trademark Association

PREFACE

"There seem to be two lines of thought with reference to trademark legislation. In a general realization of the fact that business, in its various ramifications, has so progressed and developed since the enactment of our present trademark law, it is realized that in some respects the present statute is inadequate and perhaps archaic, or obsolete, and does not meet all of the demands of the present conditions of commerce. There are some who think we should have a new law; there are some who think we should amend the existing law. The purpose of these hearings is to enable us, if possible, through our mutual discussions here of this measure, to reach an intelligent conclusion as to what this committee should propose and report by way of proper trademark legislation. We have no interest to serve except the interests of our country; we have no preconceived ideas as to what should be done. You gentlemen are able to give us the information that we want." Representative Lanham, Hearings before the Committee on Patents, Subcommittee on Trade-Marks, House of Representatives (75th Cong, 3d Sess, on H.R. 9041) (March 15-18, 1938).

ABBREVIATIONS

Act	Lanham Act
AIPLA	American Intellectual Property Law Association
Board	Trademark Trial and Appeal Board
CCPA	Court of Customs and Patent Appeals
CFR	Code of Federal Regulation
Commission	Trademark Review Commission
Commissioner	Commissioner of Patents and Trademarks
FDA	Food and Drug Administration
Office	Patent and Trademark Office
PTO	Patent and Trademark Office
Report	Report and Recommendations of Commission
Section	Sections of the Lanham Act, as amended, unless otherwise indicated
TMEP	Trademark Manual of Examining Procedure
TMR	The Trademark Reporter®
TRC	Trademark Review Commission
TRT	Trademark Registration Treaty
UCC	Uniform Commercial Code
USTA	The United States Trademark Association

The Trademark Reporter®

THE UNITED STATES TRADEMARK ASSOCIATION TRADEMARK REVIEW COMMISSION REPORT AND RECOMMENDATIONS TO USTA PRESIDENT AND BOARD OF DIRECTORS*

I. INTRODUCTION

A. Summary

The Trademark Review Commission of The United States Trademark Association, contemporaneously with the forty-first anniversary of the Lanham Act,[1] presents its final Report and Recommendations. The Report is the product of two years of Commission review, analysis, and debate of the policies and components of the trademark system.

We urge the President and Board of Directors to approve our Report and to initiate proposed legislation. In doing so USTA would continue its long history of contributions to the legislative process, and further activate its leadership role in the betterment of the trademark system of the United States.

B. Previous Review

We are not aware of any other comprehensive review of the trademark system in the last quarter century. The effort most closely approximating that of the Commission began in 1948. Representatives of USTA and some twenty-five other legal and trade associations concerned with trademarks were formed into a committee to study the new Act and recommend changes. The study resulted in a series of bills which never became law, in 1951 (S. 1957), 1953 (S. 2540), 1955 (S. 215), and 1959 (S. 2429). In 1962, with the approval and support of USTA, Congress finally enacted H.R. 4333, correcting typographical errors, clarifying certain sections, and effecting desirable changes in both substance and procedure. Subsequent amendments to the Act, however, resulted not from overall review of the type the Commission undertook, but from specific needs.

---

* This Report and Recommendations was submitted to USTA President and Board of Directors on August 21, 1987 for their consideration at the September 13, 1987 Board of Directors meeting. The Board adopted this Report in its entirety.

[1] The statute was enacted on July 5, 1946, to become effective one year later. Public Law 79-489, Chapter 540; 60 Stat 427; 15 USC §§1051-1127.

C. The Lanham Act Years

A comprehensive review of the trademark system begins with history. The first federal trademark act was passed in 1870, and subsequent acts were passed in 1881, 1905, 1920, and 1946. Before the 1946 Lanham Act the trademark system and relevant decisional law were largely undeveloped. But the Lanham Act brought significant incentives to register. And with post-war economic, technological and communications growth came an explosion of trademark activity.

New products, trademarks, and registrations proliferated. Over the years trademark disputes became commonplace. Businesses, realizing the value of their marks, became protection-minded and litigation-oriented. Even today, despite a settlement rate of well over ninety-five percent, there is a torrent of at least several hundred reported court and administrative trademark decisions each year. With a few noteworthy exceptions, the courts and the Patent and Trademark Office have correctly applied the Act while balancing the competing interests involved. Trademark rights have been protected and the public interest in freedom from confusion and deception has, for the most part, been served. Fair competition, the goal of a free market economy, remains robust.

The trademark community took new doctrines introduced by the Act in stride. Courts and lawyers faced incontestability and constructive notice squarely, applying them in diverse situations. And the related companies doctrine preserved quality control and operated well during the unforeseen surge of franchising and trademark licensing in the 1960s and 1970s.

The Lanham Act included a little-noticed section which ultimately became a cynosure. In the 1970s the courts transformed the section into a potent, far-reaching, commercial Bill of Rights for the honest businessman. Section 43(a)[2] has now reached almost towering stature as a weapon to combat unregistered trademark and trade dress infringement and many other types of unfair competition. As a result, the doctrine of Erie Railroad Co. v. Tompkins,[3] that there is no federal common law, has virtually no remaining effect on unfair competition law. Today, under the rubric of Section 43(a), there is in every way but name only a federal common law of the major branches of the law of unfair competition.

---

[2] References to "Section" apply to sections of the Lanham Act, as amended, unless otherwise indicated. 15 USC §§1051-1127 (1987). Use of brackets denotes deleted material and use of italics denotes added material.

[3] 304 US 64, 58 S Ct 817, 82 L Ed 1188 (1938).

Federal trademark registration, Section 43(a), and the engulfing sweep of interstate commerce have given the law and policy of trademarks a strongly federal cast. The federal courts now decide, under federal law, all but a few trademark disputes. State trademark law and state courts are less influential than ever. Today the Lanham Act is the paramount source of trademark law in the United States, as interpreted almost exclusively by the federal courts. We see no likely change in this situation.

The Act has proved serviceable. Representative Lanham and his colleagues did their job well, and there has been no noticeable pressure for wholesale trademark law revision. On those few occasions when the trademark community raised its voice on particular problems, Congress responded favorably.

The Commission was generally satisfied with the overall operation of the Act. Instead of suggesting a sweeping overhaul we preferred to address only specific problems. Near the top of the list were the increased frustrations of clearing new trademarks, and the charade of making token interstate use of a mark for purposes of filing an application.

A review of the principal amendments will place our recommendations in historical context. In 1958 Congress approved and the President signed into law H.R. 8826, establishing the Trademark Trial and Appeal Board. The amendment abolished initial decisions by the Examiner of Interferences with appeals to the Commissioner of Patents. And recruiting Board members gained important flexibility when Congress changed the law (H.R. 4273) in 1980 to allow hiring from outside the PTO. Since its formation the Board has unquestionably become a trademark system mainstay, known for its prompt, sensible, and scholarly decisions. Its decisions enjoy a high affirmance rate, are accorded considerable weight in the federal courts, and occasionally make a significant impact.[4]

Trademarks received a long-overdue boost in status in 1975 when Congress (H.R. 7599) changed "Patent Office" to "Patent and Trademark Office." Since the Office had been known by its old name since at least 1836, this was truly an historic step. Congress believed that "Patent Office" was misleading, in light of the Office's responsibility for administering both patents and trademarks. But Congress also gave express recognition to the importance of trademarks, both because of the interest of the public in trademark protection and because of the economic importance of trademarks. In the accompanying Report (93-1399) the Senate Committee observed that "It has been said that the value of trademarks registered in the Patent Office exceeds that of existing patents."

---

[4] See Crocker National Bank v. Canadian Imperial Bank of Commerce, 223 USPQ 909 (TTAB 1984).

For the Act's first thirty years there was only one series of changes which might be termed substantive. Even so, the most lasting effect was inadvertent. In 1962 Congress approved H.R. 4333, in order to make a number of corrections and other minor changes in the Act. The bill also changed the basic infringement provision, Section 32(1)(a), deleting the following bracketed words:

> Any person who shall, without the consent of the registrant—
>
> (a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion or mistake, or to deceive [purchasers as to the source of origin of such goods or services] . . .
>
> shall be liable in a civil action by the registrant for the remedies hereinafter provided.

The change was explained, innocently enough, as parallel to a similar change being made in Section 2(d). That section, in turn, provided that a mark could not be registered if it so resembled a previously registered or used mark as to be likely "to cause confusion or mistake or to deceive purchasers." The bill deleted "purchasers" to make it clear that the provision related to potential as well as to actual purchasers.

However, a number of courts have viewed the deletion as evidence of Congressional intent to broaden the test for likelihood of confusion. Now, they say, the Act is designed to prohibit confusion of any kind, not merely of purchasers or customers nor as to source of origin.[5]

In recent times court decisions have often prompted Lanham Act amendments, the first occurring in 1975 (H.R. 8981). The Supreme Court had held, in Fleischmann Distillery Corp. v. Maier Brewing Co.,[6] that the Act did not authorize an award of attorney's fees to the prevailing party in an infringement action. Aligning the Act with the patent and copyright statutes, Congress changed

---

[5] See, eg, Marathon Mfg. Co. v. Enerlite Products Corp., 767 F2d 214, 221, 226 USPQ 836, 840 (CA 5 1985) (per curiam); Syntex Laboratories, Inc. v. Norwich Pharmacal Co., 437 F2d 566, 568, 169 USPQ 1, 2 (CA 1 1971).

[6] 386 US 714, 717-21, 87 S Ct 1404, 18 L Ed2d 475, 153 USPQ 432 (1967).

Section 35 to allow the award of fees in "exceptional" cases. The bill also provided an automatic thirty-day extension of time to file an opposition, and eliminated the need to specify "reasons of appeal" in appeals to the then Court of Customs and Patent Appeals.

In the Century 21 amendment, adding Section 39(a) to the Act, Congress responded directly to Century 21 Real Estate Corp. v. Nevada Real Estate Advisory Commission.[7] A state commission had ordered franchised real estate brokers to display their names at least as prominently as the trade names and logos of their franchisors, and the courts had upheld the regulation. The bill (H.R. 5154), supported by USTA, pointedly reminded the states and the trademark community of the constitutional concept of federal supremacy. It prohibited states or state agencies from requiring the alteration of a registered trademark or requiring associated trademarks or trade names to be used in a manner which differed from the form of the mark as registered.

Congress passed the Trademark Clarification Act of 1984[8] to nullify the effect of Anti-Monopoly, Inc. v. General Mills Fun Group, Inc.[9] The court had held that in determining if a trademark was or was not generic the purchaser's motivation in buying the product was the crucial test. This tortured version of the more traditional test for genericness led the court to hold that the famous MONOPOLY trademark was generic and hence unprotectible. As a result, trademark community clamor rose until it became deafening. Then Congress, relying in part on a USTA Amicus Curiae brief,[10] restored the trademark law traditional test: genericness is determined by the primary significance of the term to the purchasing public, not purchaser motivation.

Congress made a number of other important changes in 1984 (H.R. 6260), authorizing the Commissioner to raise fees substantially in order to make the Trademark Operation of the PTO self-sustaining. The bill also provided that oppositions and cancellation petitions no longer had to be verified, and required a statement of use "in commerce" to be made in a Section 8 affidavit.

The most extensive amendment by far has been the Trademark Counterfeiting Act of 1984 (H.R. 6071),[11] which resulted from the combined action of numerous groups and individuals. The generally acclaimed bill established a variety of procedures to allow trademark owners more effectively to combat the growing tide of counterfeiting. The remedies ranged from civil actions, with virtually mandatory awards of treble damages and attorney's fees, to criminal actions, with individual fines up to $250,000 dollars and prison terms up to five years, and company fines up to one million dollars.

---

[7] 448 F Supp 1237 (D Nev 1978), affd 440 US 941, 99 S Ct 1415, 59 L Ed2d 630 (1979). See also, USTA Amicus Brief, 69 TMR 273 (1979).

[8] 15 USC §§1064(c) and 1127. Public Law 98-620.

[9] 611 F2d 296, 204 USPQ 978 (CA 9 1979), and 684 F2d 1316, 216 USPQ 588 (CA 9 1982).

[10] See 72 TMR 549 (1982).

[11] 15 USC §§1116(d). Public Law 98-473.

Against this historical backdrop USTA set the machinery which led to the formation of the Trademark Review Commission in motion.

II. COMMISSION FORMATION

In mid-1984, with the fortieth anniversary of the Lanham Act two years away, USTA recognized the need to establish a Special Committee for a comprehensive review of the current trademark system. The time had come to see if the system could be improved.

On September 28, 1984 USTA President Dolores K. Hanna appointed Guy M. Blynn and William A. Finkelstein, Vice Presidents, leaders of the review study project. She requested them to consider whether a new committee should be formed and, if so, to suggest its structure and objectives. By the following March they recommended the formation of a Special Committee, as provided for under the Bylaws, which would be termed a Commission. The three of them as a planning group then defined the Commission objectives, developed a program and timetable, and determined the composition of the Commission. The group, with Robin Rolfe, USTA Executive Director, and Jerome Gilson, nominee for Reporter, chose a diverse national group of experienced trademark practitioners from corporations, private practice and academia. By May 21, 1985 the planning group concluded its plan for the Commission structure, schedule, charter, membership, and proposed topics.

A. Membership

The Commission consisted of fifteen regular members and fourteen associate members of the Association:

1. Corporate Member Representatives:
    - Dolores K. Hanna—Chairperson
        Kraft, Inc.
    - John C. McDonald—Vice Chairperson
        Sterling Drug Inc.

Richard M. Berman
    General Mills, Inc.
Donald W. Canady
    The Signal Companies
    (now in private practice in San Diego, California)
John J. Cummins
    The Procter & Gamble Company
Walter David Ganus
    The Dow Chemical Company
Anne S. Jordan
    Castle & Cooke, Inc.
    (now with Worlds of Wonder, Inc.)
Ronald S. Kareken
    Eastman Kodak Company
Catherine F. McCarthy
    General Foods Corporation
Alfred M. Marks
    CBS Inc.
    (now with Brumbaugh, Graves, Donohue & Raymond)
David B. Miller
    Uniroyal, Inc.
    (retired from the practice of law in November, 1986)
Gerard E. Murphy
    AT&T
Peter F. Nolan
    The Walt Disney Company
Garo A. Partoyan
    Mars, Incorporated
Robert L. Shafter
    Xerox Corporation

2. Associate Member Representatives
Jerome Gilson—Reporter
    Willian Brinks Olds Hofer Gilson & Lione Ltd.
Arthur J. Greenbaum—Associate Reporter
    Cowan, Liebowitz & Latman
Miles J. Alexander
    Kilpatrick & Cody
Bert A. Collison
    Nims, Howes, Collison & Isner

Marie V. Driscoll
    Townley & Updike
Vito T. Giordano
    von Maltitz, Derenberg, Kunin, Janssen & Giordano
Laurence R. Hefter
    Finnegan, Henderson, Farabow, Garrett & Dunner
Henry W. Leeds
    Brylawski, Cleary & Leeds
Jeremiah D. McAuliffe
    Pattishall, McAuliffe & Hofstetter
J. Thomas McCarthy
    University of San Francisco School of Law
    (of counsel, Limbach, Limbach & Sutton)
Melville Owen
    Owen, Wickersham & Erickson
Louis T. Pirkey
    Arnold, White & Durkee
Albert Robin
    Robin, Blecker & Daley
Richard A. Wallen
    Harris, Kern, Wallen & Tinsley

3. Ex Officio Members
    Guy M. Blynn
        R. J. Reynolds Industries, Inc.
    Robert J. Eck
        Philip Morris Incorporated
    William A. Finkelstein
        PepsiCo, Inc.

4. Staff Liaison
    Robin A. Rolfe, USTA Executive Director

5. Senior Advisors

In addition, Mrs. Hanna appointed the following as Senior Advisors to the Commission:

Saul Lefkowitz
Julius R. Lunsford, Jr.
Beverly W. Pattishall
Nathaniel G. Sims
Leslie D. Taggart

B. Charter

On July 5, 1985, the thirty-ninth anniversary of the Lanham Act, the Commission adopted a Charter containing the following objectives:

> TRC will evaluate the Trademark Act of 1946 (the Lanham Act) as amended, state laws affecting trademarks, rules and regulations of administrative agencies, particularly the Patent and Trademark Office, and case law from the federal and state courts and administrative agencies, such as the Patent and Trademark Office and the International Trade Commission.
>
> The Commission shall conduct a study to determine if the trademark system is effective to:
>
> 1) Fulfill the objectives of the Trademark Act of 1946 as set forth at the time of its enactment;
> 2) Accommodate present day business and commercial practices and realities;
> 3) Implement the public policy objectives of the United States;
> 4) Further the principles and objectives of the trademark concept and an optimal trademark system; and
> 5) Adapt to potential future changes in business practices and commercial relationships.
>
> The Commission shall submit its report to the USTA President and the Board of Directors. If the study indicates that changes in the trademark system are appropriate, the Commission shall make recommendations and assist in drafting proposed revision legislation.

III. COMMISSION ACTIVITIES

A. Commission Questionnaire

The Commission members first completed an exhaustive questionnaire. The questionnaire, ranging from general to specific, was designed to elicit member concerns, suggestions and ideas concerning the trademark system. The members wrote extensive and insightful comments, which took ninety-two pages to summarize. Although they held a wide variety of viewpoints, the members expressed considerable agreement on the topics they felt the Commission should address.

B. Commission Committees and Meetings

At its first full meeting September 27, 1985 in Chicago, the Commission approved its procedures and tentative timetable, chose topics to study, and appointed the following Committees:

1. Intent-To-Use Committee
   Vito T. Giordano, Chairperson
   Walter David Ganus
   Jeremiah D. McAuliffe
   Albert Robin
   Robert L. Shafter

2. Section 43(a) Committee
   Marie V. Driscoll, Chairperson
   Donald W. Canady
   Gerard E. Murphy
   Louis T. Pirkey

3. Dilution Committee
   Henry W. Leeds, Chairperson
   Anne S. Jordan
   Peter F. Nolan
   Alfred M. Marks

4. Registration and Incontestability Committee
   Richard M. Berman, Chairperson
   Miles J. Alexander
   Catherine F. McCarthy
   Professor J. Thomas McCarthy
   Richard A. Wallen

5. Trademark Definitions Committee
   John J. Cummins, Chairperson
   Melville Owen
   Garo A. Partoyan

6. Housekeeping Committee
   Laurence R. Hefter, Chairperson
   Bert A. Collison
   Ronald S. Kareken
   David B. Miller (retired)

The Committee structure has been the backbone of the Commission. During their first six months the Committees functioned autonomously, studying, analyzing and deliberating the various assigned topics.

They then prepared preliminary written reports for discussion by the full Commission in a second Chicago meeting, on March 19, 1986. Yet another meeting was held in conjunction with the San Diego Annual Meeting on June 1, 1986. At the same Annual Meeting the Commission presented a program on its goals and progress. Then, on June 20-21, 1986, in Schaumburg, Illinois, the Commission held an extremely challenging and intensive working session, debating the Committee positions and reports. The Committees then revised and prepared final reports for further scrutiny and debate in Chicago January 16-17, 1987, and an important phase of the project was completed. The Commission also held a meeting in conjunction with the USTA Annual Meeting in Boston on April 26, 1987, and presented a program to a capacity USTA audience on the following day. It held its last meeting, to review and approve the final Report, in Chicago, July 17, 1987.

Between meetings Commission members met, corresponded, consulted with others, drafted and revised reports, and conferred at length. They also prepared and circulated numerous questionnaires, both within the Commission and on occasion to the full membership of the Association. Views of numerous other persons were also solicited, expressed and considered.

The essence of Commission deliberations was active discussion and interchange. Members took nothing for granted, and repeatedly challenged existing practices, principles, and each other. More than once a seemingly intractable position was softened, then changed. Finally, after numerous votes, came overall agreement on the substance of the Report.

IV. TRADEMARK COMMUNITY INVOLVEMENT

The Commission believes that fundamental changes in the Lanham Act cannot be accomplished without the support of the intellectual property law community. Accordingly, from the very beginning the Commission has brought its activities to the attention of many bar and trade associations. These included the American Bar Association, American Intellectual Property Law Association, California Bar Association, Illinois State Bar Association, Pharmaceutical Manufacturers Association, and The New York Patent, Trademark and Copyright Law Association, Inc., to name a few. These contacts generated considerable interest in the work of the Commission, and led to a number of Commission member speaking engagements. In turn, the various groups expressed their views to the appropriate Committees of the Commission. The American Bar Association Patent, Trademark and Copyright Section has appointed an ad hoc committee to work with the Commission. The Commission also expects to solicit further views of these various associations and groups when the Board of Directors approves a final report.

The Commission has not overlooked individuals in its effort to achieve broad exposure. In November 1986 the Association held roundtables, discussion sessions with smaller groups, in some twelve cities across the country. They attracted some one-hundred sixty-five individuals, and the moderators reported lively discussions of several of the key topics being considered by the Commission. We have also repeatedly encouraged individuals and groups to express their views to the Commission.

V. COMMISSION DETERMINATIONS

Pursuant to its Charter the Commission has made a number of determinations.

First, the Lanham Act continues to fulfill the statutory objectives set forth at the time of enactment. These objectives appeared in Senate Report No. 1333 (May 14, 1946), in which the Committee on Patents recommended that H.R. 1654 be passed:

> The purpose underlying any trade-mark statute is twofold. One is to protect the public so it may be confident that, in purchasing a product bearing a particular trade-mark which it favorably knows, it will get the product which it asks for and wants to get. Secondly, where the owner of a trademark has spent energy, time, and money in presenting to the public the product, he is protected in his investment from its misappropriation by pirates and cheats. This is the well-established rule of law protecting both the public and the trademark owner. It is succinctly stated by Mr. Justice Frankfurter in Mishawaka Rubber and Woolen Company v. S.S. Kresge Company, decided on May 4, 1942:
>
>> The protection of trade-marks is the law's recognition of the psychological function of symbols.

In our view these purposes are amply served in the ebb and flow of trademark decisions. There is no apparent danger that the courts will lose sight of them. If anything, trademark protection is becoming more readily available, and the purposes are even more honored today than they were four decades ago.

Second, the Act satisfactorily accommodates present day business and commercial practices and realities, with limited exceptions. It adapted to the licensing and franchising industries, and it provided adequate legal guidance for the recent surge of corporate name changes, acquisitions, and mergers. However, there are a number of areas where improvement is needed. For example, the Act has not kept pace with the increasing need for intent-to-use legislation, and we are recommending a significant change as a result. Similarly, we believe that the law of trademark security interest requires overhaul, that concrete steps should be taken to eliminate deadwood trademarks from the register, and that Congress should adopt a federal dilution law. All of these, and other changes we are recommending, would better serve present day commercial needs.

Third, the Act appears to implement effectively the public policy objectives of the United States. It protects the rights of trademark owners and the rights of the public, promotes the maintenance and improvement of quality in both goods and services, and stimulates innovation in marketing and advertising. It also fosters healthy competition in at least two ways. It preserves good will and investment in product quality and promotion, and reduces the distortions of competition which would result from purchases based on confusion or deception and from the unjust enrichment of unfair competitors.

Fourth, the Act also furthers the principles and objectives of the trademark concept and an optimal trademark system. In its application it continues to allow trademarks to function in a way which is both socially and economically desirable. Trademarks denote a particular standard of quality, distinguish competing goods, symbolize good will, operate as advertising tools, enhance fair competition, motivate consumers to purchase, insure that consumers get the products they want, and facilitate the establishment of a standard of acceptable business conduct.

Fifth, the Act appears to be adaptable to future business and commercial changes. We see no imminent major business or commercial changes, however, which would suggest current alterations.

We see no reason to propose any changes in state trademark laws. Essentially, the dual federal-state system operates well, with minimum conflict. As long as federal law continues to be preeminent, the goal of national uniformity of trademark law will be substantially met.

We considered the need to change the rules and regulations of administrative agencies, such as the PTO and the International Trade Commission. We concluded that any revisions which may become desirable as a result of our proposed changes to the Act should be considered apart from this Report.

VI. ACKNOWLEDGMENTS

The Commission is grateful to numerous groups, firms, and individuals for their assistance. A few deserve special mention. John McDonald meticulously took minutes of the Commission meetings. Robin Rolfe and her staff handled meeting arrangements and communications flawlessly. Michelle Millas assiduously organized and typed almost all of the questionnaires, response summaries and numerous draft reports, and monitored our "legislative history." Many USTA member corporations and law firms from which TRC members were selected were especially generous.

The Commission appreciates the interest of Commissioner of Patents and Trademarks Donald J. Quigg and Assistant Commissioner for External Affairs Michael K. Kirk in its work, and the time they spent in meeting with Commission representatives.

The Commission is very grateful to Assistant Commissioner for Trademarks Margaret M. Laurence and the personnel of the PTO for their cooperation. They were available for many hours of meetings with us, and provided invaluable suggestions.

The Commission is also indebted to two distinguished members of the academic community. Professor Robert B. McKay, former Dean of the New York University School of Law and an authority on constitutional law, analyzed our intent-to-use proposal and provided his opinion on the question of whether it would survive an attack on constitutional grounds. Professor Richard E. Speidel, of the Northwestern University School of Law, an authority on security interests and the Uniform Commercial Code, reviewed our manuscript and made helpful suggestions on the subject of security interests in trademarks.

VII. COMMISSION RECOMMENDATIONS

The following recommendations are a synthesis of the final Committee reports as modified and adopted during discussions by the full Commission. The Commission also created its own version of "legislative history." This documentation, consisting of questionnaires, drafts, minutes of meetings, correspondence and reports, is not included in the Report.

Commission votes dictated our recommendations. In all cases at least a majority of those present voted in favor, and in many cases there were no opposing votes. Although there were many separately held views, and some disagreement on specific points, we unanimously offer this Report.

We emphasize that suggested statutory language in the Report is illustrative only. In many instances we could not agree on specific language, and we had no time for comprehensive drafting. However, we decided that many of the proposed amendments would be better understood if put in the form of statutory language. We are not committed to any such language, and we made no attempt to determine the effect of proposed amendments on other sections of the Act.

A. Intent-To-Use

1. Introduction

a. Background of Intent-To-Use Proposals

The Commission's study of this topic is not a new undertaking. The Act of 1870, our first trademark statute, permitted applications based on use or intention to use. The Act was held unconstitutional chiefly because it did not require use or proposed use in commerce.[12]

Intent-to-use legislation was subsequently proposed in 1925 (H.R. 6248) and 1938 (H.R. 9041) but dropped. In the 1960s, several bar groups supported the Dirksen and related intent-to-use bills requiring use before registration. This movement dissipated in the early 1970s when interest shifted to the widely debated Trademark Registration Treaty permitting, inter alia, intent-to-use applications, with use within three years after registration. The United States signed it in 1973 but never ratified it.[13]

Interest in intent-to-use was strongly revived by the Board's controversial Crocker decision in October 1984, permitting Section 44 applicants not to allege use anywhere or to file specimens.[14] Our recommendations would stand absent Crocker, for they address a deficiency in our system long predating that decision.

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[12] Trade-Mark Cases, 100 US 82, 96-97, 25 L Ed 550 (1879).

[13] Opposition in the United States to TRT was not restricted to its intent-to-use with use after registration provisions. Much concern was also expressed (1) that filing applications worldwide under TRT would cause proliferation in the United States, and (2) that our then heavily backlogged PTO might have difficulty meeting the TRT time limitations for examination and disposal of applications.

[14] Supra note 4.

b. The Commission's Study

The Commission's study proceeded internally and externally. Internally, we read law; reviewed prior legislative proposals, including TRT and its draft implementing legislation; and considered the many articles for and against intent-to-use, largely collected in The Trademark Reporter®.[15] We also exchanged position papers, employed questionnaires, and debated and analyzed the proposals recommended or rejected herein.

Externally, the Commission interviewed trademark counsel for diverse American companies on token use practices and lead times needed to introduce new products. We had discussions with other bar groups, notably the Trademark and Trade Name Protection Committee of the AIPLA and the Trademark Committee of the Pharmaceutical Manufacturers Association. We received written opinions from trademark experts in Canada, the United Kingdom and West Germany on the strengths and weaknesses of their systems. We talked to officials of the Canadian Trade Marks Office. In September 1986, we also met informally on this subject with the Assistant Commissioner for Trademarks and a small group from the PTO.

2. Commission Recommendations

We recommend that the United States adopt a dual system permitting applications on the principal register to be based either on use in commerce, or on a bona fide intention to use in commerce, with registration issuing only after a declaration of actual use with specimens has been filed and approved.

We recommend that our proposed intent-to-use system work as follows (items B, C, F, I, J, and K would apply to use-based applications as well):

(A) All applications not based on use—including Section 44 applications—would have to state a bona fide intention to use the mark in commerce for specific goods or services. A drawing would be required.

(B) Full examination of the application by an Examining Attorney would take place before publication.

(C) Publication would appear in the Official Gazette for opposition purposes only once.

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[15] Volumes 53 (1963) and 63 (1973).

(D) After the application cleared the Official Gazette or survived an opposition, the PTO would mail a Notice of Allowance to applicant.

(E) (1) Applicant would have six months from the Notice of Allowance to commence use in commerce and to file a declaration of such use (if it had not yet done so), with specimens, for goods or services identified in the application. All items of goods or services for which use had not been made would be deleted from the application. These requirements would not apply to Section 44 applicants.

(2) The six-month period would be extended by the Commissioner for additional periods of six months each, on the filing of verified statements of continued bona fide intention to use the mark in commerce and the payment of appropriate fees, for a total of no more than four years from the date of the Notice of Allowance.

(F) We propose to amend the Section 45 definition of trademark use in commerce as follows:
The term "used in commerce" means such use made in the ordinary course of trade, commensurate with the circumstances, and not made merely to reserve a right in a mark.

(G) The declaration of use and supporting specimens would be examined by an Examining Attorney to determine if (a) the declarant is the applicant, (b) the mark corresponds to the drawing, (c) the goods or services are identified in the application, and (d) the mark displayed on the specimens functions as a trademark or service mark.

(H) The required declaration of use could be based on use by applicant's related company, or licensee. But the application would not be assignable, except to a successor of applicant's business or the portion thereof to which the proposed mark pertained, until the declaration of use had been filed by the original applicant.

(I) The filing date of all applications—whether based on intent-to-use or use—would constitute constructive use[16] nationwide in effect against anyone that did not antedate applicant's filing with (1) actual use, or (2) a filing date, or (3) a Section 44(d) priority date based on a foreign application. This benefit would be conditioned upon registration on the principal register.

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[16] This term is defined at infra note 28.

(J) Constructive notice under Section 22 would date from registration, as it does now.

(K) The registration would date from its grant as it does now, and would cover only those goods or services specified in the declaration of use.

(L) Unless its priority was based on actual use, an intent-to-use party alleging likelihood of confusion could not obtain a final judgment from the Board sustaining an opposition or cancellation petition, or from a court granting injunctive relief, until it had commenced use and obtained registration on the principal register.[17]

(M) An intent-to-use applicant could not file to register on the supplemental register.

We discuss each of these recommendations and related points commencing at infra VII. A. 7., Explanation of Intent-To-Use System.

3. Sections of Act Requiring Amendment

The foregoing recommendations would require amendments to at least Sections 1, 2(d), 3, 4, 10, 12(a), 26, 30, 33, 44 and 45 of the Lanham Act.

4. Policy Supporting Intent-To-Use System

It would not subvert our system to suspend the principle "no trade—no trademark" to permit an intent-to-use application, with use required before registration:

(A) A pre-filing use standard is unrealistic. It is the requirement in our trademark law that most perplexes American business. Bringing a brand to market is costly in time, effort and money. To make one incur such costs before some assurance it may register or retain the brand is logistically perverse. This is the main reason for token use applications. To the extent they are being filed and upheld, we now have, in effect, an intent-to-use system.[18]

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[17] A Section 44 applicant relying on a prior filing date and alleging likelihood of confusion could successfully oppose or petition to cancel without commencing use, provided it had obtained a registration.

(B) (1) Token use should be discouraged. It delays filings; it is contrived; it is commercially invisible; it perpetuates dead marks clogging the register; and it creates legal uncertainty.
(2) Our proposed intent-to-use system and revised definition of use should significantly reduce token use made merely to establish or maintain a trademark right.

(C) Intent-to-use would increase certainty. Though it would not remove the hazard of objection from an unknown prior user, there would be earlier public disclosure of potential conflicts. Filings, and their citation in search reports, would be accelerated. This would afford more lead time to negotiate to resolve a potential controversy or to select another mark before product launch.

(D) An intent-to-use system would significantly lessen the disparity between our pre-filing requirements for domestic[19] and Section 44 applicants. That pre-filing disparity would disappear if, as we recommend, Section 44 applicants were required to allege a bona fide intention to use in commerce.

5. Policy Supporting Requirement of Use Before Registration

We think it essential that an American intent-to-use system require, before registration, use attested to by declaration and specimens (except for Section 44 applications):

(A) That requirement would confirm the importance of use in the American system.

(B) It would deter registration of marks not intended for commercial use, since a declaration of such use and specimens would be required shortly before registration would issue. It would thus lessen the risk of proliferation.[20]

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[18] However, certain businesses may not be able to make prefiling token use. Hotels are unable to apply to register service marks until they open for business. Token shipments of heavy equipment may not be feasible. And the requirements of Environment Protection Agency and other regulatory agencies may long preclude or inhibit even an experimental use until agency approval is obtained.

[19] There is no disparity when a domestic applicant qualifies for registration under Section 44. See In re International Barrier Corp., 231 USPQ 310 (TTAB 1986).

[20] Without a pre-registration use requirement, an applicant who on filing intended to use its mark might later decide not to market the brand but still let the application issue to registration.

(C) It would permit the rejection of applications on grounds disclosed by the declaration of use or specimens, and prevent invalid registrations from issuing undetected.

(D) It would not weaken the deterrent effect of Section 38 affording damages for fraudulent registrations, as a post-registration use requirement might do.

(E) A system requiring use before registration would withstand an attack on constitutionality better than a system that does not. However, we think either would be deemed constitutional, particularly in view of the broad judicial expansion of the commerce clause.[21]

The principal advantage of post-registration use statutes is that they afford exceptionally long lead times to commence use. In some countries the trademark owner has up to five years from grant of registration (West Germany). However, their weakness lies in issuing registrations to applicants that might never use their marks. Such a system would would put competitors on long hold, speculating whether use would ultimately occur and wondering what goods or services were involved.

Shorter periods with extensions are preferable. Our proposed system would require use within six months after the application is allowed or survives an opposition. Extensions of six months could be granted on verified statements of continued bona fide intention to use and payment of appropriate fees, with a cut-off date four years from Notice of Allowance. This requirement,[22] will allow liberal lead time for product introduction and yet discourage extended nonuse.

We recognize that a post-registration use system would give American applicants full parity with Section 44 applicants. Although our proposed system would not do so, it would dispense with use before filing and require Section 44 applicants to allege a bona fide intention to use, thus narrowing the disparity heightened by Crocker. Parity did not exist even before Crocker: applications based on foreign applications or registrations merely had to allege use "somewhere." It is unwise to adopt what we believe to be a less satisfactory system merely to achieve full parity.

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[21] See infra VII. A. 10., Constitutionality of Intent-To-Use. This section summarizes the opinion of Professor Robert B. McKay.

The Commission reached the same conclusion. We do not believe that the Supreme Court's decision in Trade-Mark Cases, supra note 12, is controlling. The trademark portion of the Act of July 8, 1870 was held unconstitutional because it did not require that a registrant "be engaged in the kind of commerce which Congress is authorized to regulate." Id at 97. Under our proposed amended Lanham Act, registration would issue only after use in commerce, and the constructive use accorded filing would be conditioned upon registration. See, eg, Heart of Atlanta Motel, Inc. v. United States, 379 US 241, 85 S Ct 348, 13 L Ed2d 258 (1964).

[22] Further discussed at infra VII. A. 6. g., Notice of Allowance and Use Periods.

6. Proposed Amended Definition of Use in Commerce

The present Section 45 definition of use in commerce encourages token use and the warehousing of marks, by requiring only that the labeled product be "sold or transported in commerce." We therefore recommend adding the italicized language:

> For the purposes of this chapter a mark shall be deemed to be used in commerce (a) on goods when it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto and the goods are sold or transported in commerce and (b) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in this and a foreign country and the person rendering the services is engaged in commerce in connection therewith. *The term "used in commerce" means such use made in the ordinary course of trade, commensurate with the circumstances, and not made merely to reserve a right in a mark.*

We drafted this amendment to permit flexibility, and realize that it will require judicial interpretation. Although the amendment is general, it excludes sham trademark use and the unrealistic limited volume or single-product shipments now being made for purposes of establishing pre-application use. It would effectively nullify Fort Howard Paper Co. v. Kimberly-Clark Corp.,[23] and its progeny.

The proposal contemplates commercial use of the type which is common to a particular industry. However, it should also be construed to encompass various genuine but less traditional trademark uses such as those made in small-area test markets, infrequent sales of very expensive products, or ongoing shipments of a new drug to clinical investigators from a company awaiting FDA approval.[24]

Under our proposed definition, rights in a trademark or its registration would not be lost if use of the mark were interrupted due to special circumstances excusing nonuse, absent an intent to abandon. The amended definition must be considered in connection with (1) Sections 8 and 9 permitting an affidavit of use and application for renewal to show such special circumstances, and (2) Section 45 requiring an "intent not to resume" use as an element of abandonment.

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[23] 390 F2d 1015, 1017, 157 USPQ 55, 56-57 (CCPA 1968), cert denied 393 US 831, 159 USPQ 799 (1968).

[24] Though small-scale, such shipments are generally made on a relatively continuous basis to doctors who will ultimately prescribe the drug, if approved. Concurrently, the trademark may also be used to identify the drug in articles in pharmaceutical and other publications.

While we also considered amending the use definition to make advertisements or promotional material acceptable specimens of trademark use, we decided against this recommendation chiefly for these reasons:

(A) It would be of little help for pre-filing purposes. Most companies could not feasibly advertise or promote a product on a non-token basis until shortly before or at market introduction.

(B) It would permit registration of short-lived advertising slogans with resultant register clogging.

(C) There is already considerable relaxation of the affixation requirement in Section 45, which allows trademark use on "displays associated" with the goods. For example, use on restaurant menus is acceptable.[25] (We are recommending that the affixation requirement be relaxed in the case of products shipped in bulk in containers such as tank cars.)[26]

(D) There is no way to establish any meaningful yardstick as to the required amount of advertising or promotion. Would a single advertisement suffice? In what type of publication? What would be the requisite circulation?

Our proposed intent-to-use system and revised definition of use would largely remove the present incongruity permitting trademark registration based on a token label but not on a national advertisement.

7. Explanation of Intent-To-Use System

We explain below the essential elements of our proposed intent-to-use system.

a. The Application

Applicant must state "a bona fide intention to use the mark in commerce" for each product or service identified in the application. By "bona fide," we mean no mere hope, but an intention that is firm though it may be contingent on the outcome of an event—e.g., product testing or market research. The term "bona fide" should be expressly stated in the statute to make clear such intent must be genuine. The same requirement would apply to Section 44 applications.[27]

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[25] In re Marriott Corp., 459 F2d 525, 527, 173 USPQ 799, 800 (CCPA 1972).

[26] See infra VII. K. 8., Proposed Section 45.

The application would identify each proposed product or service with specificity at least sufficient to permit third parties to evaluate potentially conflicting claims. The identification could be clarified or narrowed, but not broadened, in the subsequent declaration of use or registration.

A drawing would continue to be required.

b. Constructive Use[28] Accorded Filing Date

The filing of an application (based on intent-to-use or actual use) would constitute nationwide constructive use against all entities which did not antedate that filing with (a) actual use, or (b) a filing date, or (c) a Section 44(d) priority date based on a foreign application.

Constructive use is essential for an intent-to-use application. Without it, the application would be an easy target for pirates, vulnerable also to priority claims of anyone else whose use began after applicant's filing date but before applicant's use. This would strongly discourage filing of intent-to-use applications and also defeat our objective of reducing uncertainty.

Making constructive use nationwide in effect against subsequent users (without filing priority) would prevent them from claiming common law priority in their own territories. Constructive use would thus reduce geographical fragmentation of trademark rights.[29] It would also essentially provide what Section 44 applicants now receive (except for the claim of priority relating back to the filing date of the foreign application).[30] These benefits would be a further incentive to register.

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[27] As discussed in infra VII. A. 8., Section 44 Applications and Intent-To-Use.

[28] "Constructive use" means that which establishes a priority date with the same legal effect as the earliest actual use of a trademark at common law. The constructive use term and concept appear in SCM Corp. v. Langis Foods Ltd., 539 F2d 196, 199-201, 190 USPQ 288, 291-93 (CADC 1976), and In re ETA Systems Inc., 2 USPQ2d 1367, 1370 (TTAB 1987).

[29] Under current law, good faith junior users may assert priority of use in any remote territory occupied by them before the date of the senior user's registration. Eg, Burger King of Florida, Inc. v. Hoots, 403 F2d 904, 907, 159 USPQ 706, 709 (CA 7 1968).

[30] See SCM Corp. v. Langis Foods Ltd., supra note 28 at 199-201, 190 USPQ at 291-99, and American Petrofina, Inc. v. Brown, 391 F Supp 757, 758, 184 USPQ 483, 484 (ED NC 1974), suggesting nationwide protection for such applicants from the date of filing.

The same nationwide constructive use should also be given to applications based on actual use.[31] It would be anomalous and unfair to allow a party to assert priority of use in its own territory against a senior-user applicant with priority of actual use in another area, but not against an intent-to-use applicant with priority based solely on a filing date and not on actual use anywhere. This would penalize and discourage pre-filing commercial use by prospective applicants.

Constructive use would also provide a strong incentive to search the PTO records prior to adopting a new trademark. Although searching is not mandatory at present, a business would be taking a Russian roulette legal risk if it expended money on a new mark without a search. Constructive use would encourage the filing of applications and searching of the register, both desirable policy objectives.

The filing of an intent-to-use or use-based application could not constitute nationwide constructive use against anyone who used a mark before the filing date. According a filing date nationwide constructive use is policy-justified as against a subsequent user who either knew of, or could have searched, applicant's earlier trademark claim. A prior user, of course, cannot initially know of a later-filed application. It would thus be inequitable to permit that application to freeze the prior user's right to territorial expansion. Questions of priority and territorial rights involving prior users should continue to be decided as under current law.

Nationwide constructive use accorded the filing date would be conditioned on registration. If registration did not issue, all priority and territorial issues would be decided under current law.

c. Examples

The following examples illustrate the operation of this proposal:

(1) P files an intent-to-use application on June 1, 1988 to register the mark BRAVO for cheese. D commences use of the mark BRAVO for yogurt November 1, 1988. P begins shipping BRAVO cheese in commercial quantities to its brokers and retail accounts in several states on February 1, 1989. In an injunction action by P against D, P prevails, provided: (a) P's application is allowed, (b) P files a declaration of use within six months after Notice of Allowance or during an extension thereof, (c) a principal register

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[31] Such applicants could rely on their prior date of actual use (be it local or regional) as well as their date of nationwide constructive use.

registration issues to P, and (d) P proves that the public in D's locale is likely to be confused by D's use of BRAVO on yogurt.

(2) D makes actual use of the BRAVO mark for yogurt on April 1, 1988. P files an intent-to-use application on June 1, 1988 to register the BRAVO mark for cheese. P begins commercial shipments of BRAVO cheese on February 1, 1989. In an action by P against D based on P's later-acquired principal register registration, D prevails in the area where it has established rights, subject to P's concurrent use rights and ability to prove likelihood of confusion. Neither P's actual use (February 1, 1989) nor its constructive use (June 1, 1988) is prior to D's actual use (April 1, 1988).

(3) P files an intent-to-use application on June 1, 1988 to register the mark BRAVO for cheese. P's application is allowed, P files a timely declaration of use based on commercial quantity shipments, and P obtains a principal register registration of BRAVO on December 1, 1989. D commences actual use of the BRAVO mark on yogurt on January 1, 1990, with constructive notice of P's registration under Section 22. In an injunction action by P against D, P prevails if P is able to prove that the public in D's locale is likely to be confused by D's use of BRAVO on yogurt. P established prior constructive and actual use, and D had constructive notice of P's rights when he began using the mark.

d. Pre-Publication Examination

The application would be fully examined before publication. Absence of specimens should not materially affect examination on issues of confusing similarity or descriptiveness.

Other grounds for rejection would not be detected without specimens, e.g., subject matter not constituting a trademark or service mark, or marks differing materially from the drawing. But these grounds would turn up in the Examiner's subsequent review of the declaration of use with specimens, before registration.

An intent-to-use application could be cited against a later-filed conflicting application, which would then be suspended pending the outcome of the first application. This would conform to the PTO's present practice.

Applicant could respond to a rejection and seek review by appeal to the Board or petition to the Commissioner, as now.

e. Publication in Official Gazette

Publication would take place as now. We considered but rejected "quickie" publication solely for notice purposes (after a nonsubstantive routine examination), followed by full examination and a second publication for opposition purposes. We think this a burdensome and delaying procedure that is unnecessary since adequate notice may readily be obtained from a trademark search.

f. Opposition and Cancellation Proceedings

Oppositions against intent-to-use applications would be filed within thirty days of publication or an extended period, as now. We considered but rejected either not instituting the opposition or suspending it until after the declaration of use was filed. These procedures would avoid the expense of opposing a proposed mark that may never be used. But they would defeat our objective of reducing uncertainty before applicant's investment in commencing commercial use. Moreover, a party that does not intend to make commercial use is not likely to incur the substantial expense of defending an opposition to conclusion.

An intent-to-use applicant could (1) successfully oppose a later-filed application without priority of actual use, or (2) cancel a registration based on a later-filed application without such priority.[32] A decision would be rendered, but if the intent-to-use applicant won, entry of judgment would be suspended until it obtained registration (because its prior constructive use would be contingent on such registration). Judgment would not be suspended where the opposition/petition was based on descriptiveness or any other Section 2(e) ground, provided that opposer/petitioner had standing to assert such grounds, i.e., a sufficient interest in using the term in issue in the future. This would conform with current law.[33]

For example, P files an intent-to-use application on June 1, 1988 to register the mark BRAVO for cheese. D commences use of the mark BRAVO for yogurt in interstate commerce November 1, 1988, and on December 1, 1988 files an application based on use. The PTO issues a Notice of Allowance on P's application June 1, 1989. D's application is published for opposition December 1, 1989, and P files an opposition. The case proceeds, and is ripe for decision February 1, 1991. If D wins, judgment is entered immediately. If P wins, entry of judgment is suspended pending issuance of P's registration. P obtains extensions (of the six-month statutory use period) for three and one-half years from June 1, 1989, the date of the Notice of Allowance. Immediately before June 1, 1993, P overcomes its production problems, makes commercial volume shipments of BRAVO cheese, and files a declaration of use. P's registration issues November 1, 1993. The suspension is lifted and P prevails.

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[32] Other than an application with a Section 44(d) claim of priority antedating the filing date of applicant-opposer or applicant-petitioner.

[33] Golomb v. Wadsworth, 592 F2d 1184, 201 USPQ 200, 201 (CCPA 1979), cert denied 203 USPQ 651 (1979).

Prosecution of these proceedings before one or both of the parties commences use should not significantly affect their determination. As to oppositions, the Board has consistently held the controlling factors to be the mark, goods, and channels of trade disclosed in the opposed application, not what applicant may actually be using or doing in the market place. Many oppositions are now decided without testimony from applicant and with little or no help from its labels. The same factors would apply to an intent-to-use petitioner for cancellation before it commenced use. However, our proposal to amend Section 18 to allow the Board to limit descriptions based on market place reality[34] could also apply to intent-to-use marks if testimony about the intended use results in a factual determination that the goods or services description is stated too broadly.

g. Notice of Allowance and Use Periods

After the application clears the Official Gazette or survives an opposition, the PTO would mail a Notice of Allowance to applicant advising that within six months use must be made and a declaration of use with specimens filed for registration to issue.[35] Applicant could obtain six-month extensions up to four years from the Notice of Allowance. If no declaration of use were filed within the four-year period the application would be deemed abandoned.

The Commission realizes that the lead times businesses need to introduce new products or services vary greatly. Our interviews with trademark counsel from diverse companies and our internal discussions indicated that four years from Notice of Allowance would be ample if not lenient.[36] Providing for a longer period, or for no cutoff date, would encourage delay in commencing use of a mark or in reaching a decision not to use it. This would prejudice third parties who are forestalled from using or registering a conflicting mark because of a pending intent-to-use application with a prior filing date.

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[34] See infra VII. K. 6., Proposed Section 18.

[35] At the current PTO processing rate, and assuming no oppositions were filed, use would thus be required about one year after filing, or about eighteen months thereafter if (as often occurs) the application were rejected once by the Examiner before publication. If one six-month extension of the use period were obtained, those periods would enlarge to eighteen months or twenty-four months, respectively.

[36] In the drug industry it may take several years to obtain FDA approval to market a drug. But we understand that it should not be difficult to commence shipments under the mark to clinical investigators within our suggested four-year period. Such shipments should constitute use in the normal course of trade, commensurate with the circumstances, within the meaning of our suggested new definition of use in commerce.

While some have argued that a four-year use period is too long, we believe that it will maximize product lead time flexibility and, in general, benefit the business community. The requirement of time extension requests every six months (accompanied by renewed intent-to-use verified statements and the payment of appropriate fees) should deter those with no serious intent to use. The verified statements and payments will eliminate the need for, and avoid the PTO administrative burden of, showings of good or exceptional cause as a condition of obtaining extensions.

h. Declaration of Use and Its Examination

The declaration of use would (1) state the dates of first use and first use in commerce, (2) specify those goods or services identified in the application for which the mark had been used in commerce, and (3) be accompanied by specimens showing such use. The PTO examination would be limited chiefly to the issues whether (1) declarant is the applicant, (2) the mark is as shown in the drawing, (3) the goods or services specified in the declaration are identified in the application, and (4) the mark functions as a trademark or service mark. Applicant could respond to a rejection, and, where appropriate, seek review by appeal to the Board or petition to the Commissioner.

i. Effective Date of Registration and Constructive Notice

Registration would date from its grant and would cover only those goods or services specified in the declaration of use. Section 8 affidavits and renewals would be due as they are now. Registration would continue to constitute Section 22 constructive notice of the trademark owner's claim. It would not be appropriate for constructive notice to antedate registration, for the application may never issue to registration.

Furthermore, our present law should not be changed unless it is necessary to make intent-to-use work or can be justified by compelling policy considerations. That is why we recommend that the filing date constitute constructive use; without that change, an intent-to-use applicant's claim would be jeopardized.

No such necessity or policy consideration dictates that constructive notice antedate registration. By virtue of its constructive use, an intent-to-use applicant would have a superior right over anyone adopting a mark after applicant's filing date. And because of the importance of constructive use, many junior users will conduct searches and have actual notice of applicant's claim. If the junior user is genuinely innocent, courts should continue to be free to consider that fact in balancing the equities.

j. Injunctive Relief Conditional on Actual Use

An intent-to-use applicant should not be entitled to injunctive relief until it commences use. Without such use, applicant could not establish likelihood of confusion in the market place.[37]

Further, without use, applicant would not obtain the registration upon which its constructive date of use is contingent. Applicant could then not assert priority over a use commenced before applicant's use but after its filing date.

k. Licenses and Assignments

An intent-to-use applicant should be permitted to license its proposed mark before use. A licensee's use would inure to the benefit of applicant and support applicant's declaration of use. This would be consistent with the prevailing view: a mark may validly be licensed before it is used.[38]

By contrast, assignment of an intent-to-use application should not be permitted before use. To permit such assignments (1) would conflict with the principle that a mark may validly be assigned only with some business or good will, and (2) would encourage trafficking in marks. But assignments before use should be permitted as part of a transfer of an intent-to-use applicant's business or the portion thereof to which the proposed mark pertains.

l. The Supplemental Register

Under existing law, an intent-to-use applicant could not apply to register on the supplemental register because he cannot meet the one-year lawful use requirement of Section 23.[39] Even if the one-year requirement is abolished, however, we recommend against permitting such intent-to-use filings. These designations do not function as marks or become protectible until they acquire distinctiveness through use.

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[37] This is the basis for the decisions withholding from a prior user-registrant injunctive relief against a junior user in a remote area until the prior user enters it or proves a present likelihood of entry. Pizzeria Uno Corp. v. Temple, 747 F2d 1522, 1536, 224 USPQ 185, 194-95 (CA 4 1984); John R. Thompson Co. v. Holloway, 366 F2d 108, 114, 150 USPQ 728, 732-33 (CA 5 1966); Dawn Donut Co. v. Hart's Food Stores, Inc., 267 F2d 358, 364, 121 USPQ 430, 434 (CA 2 1959).

[38] Warner Bros. Inc. v. Road Runner Car Wash, Inc., 189 USPQ 430, 431 (TTAB 1975) (citing cases).

[39] At infra VII. D. 4., Suggested Amendments to Act, we recommend abolishing this one year use requirement. However, at least initial use would still be required for supplemental register registration.

Transfer of an intent-to-use application from the principal register to the supplemental register would be possible after the mark had been used. But it would not be appropriate for applicant's filing date to constitute constructive use, since registration on the supplemental register affords no prima facie evidence of a right to use. Thus, applicant's priority would be based on its date of first actual use.

8. Section 44 Applications and Intent-To-Use

Section 44 applications should be required to allege a bona fide intent to use the mark in commerce. This modest requirement is consistent with our treaty obligations. Moreover, Section 44 applications now imply an intention to use, for their registrations may be canceled because of abandonment due to nonuse for two consecutive years after registration.[40]

To permit registration without an intention to use is to encourage registration of reserve or defensive marks. Eliminating this practice should be fundamental to our adoption of a new system.

However, we recommend against requiring pre-registration use in commerce for Section 44 applications, because this could violate our treaty obligations. We also recommend against reviving the pre-Crocker requirement of use "somewhere" plus specimens before registration. Although the Crocker principle could be overturned in a future court proceeding, such use is impracticable and legally irrelevant in any event, irrespective of our treaty obligations. Furthermore, the latter recommendation (1) would make our intent-to-use proposal seem a response to Crocker, though it is not, and (2) might lead to diversionary debate over Crocker and our treaty obligations, thus delaying action on our proposal.

9. Balancing Equities Under Intent-To-Use

Some have cautioned that under an intent-to-use system our courts would adjudicate inflexibly on paper-world rules rather than real-world considerations. We do not agree. Equity has been the core of our trademark jurisprudence for over a century. Courts would not likely discard it for a paper-world approach if we adopt intent-to-use with use before registration:

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[40] Oromeccanica, Inc. v. Ottmar Botzenhardt GmbH & Co., 223 USPQ 59, 63 (TTAB 1983).

(A) Plaintiffs could not realistically argue likelihood of confusion until they had commenced actual commercial use. Courts would then look to the market place and assess, as they do now, the familiar Polaroid factors set forth by the Second Circuit Court of Appeals[41] or similar factors considered by other circuits.

(B) The central issues of distinctiveness and likelihood of confusion are real-world, fact-intensive issues, as are the other Polaroid factors. They each militate against inflexible or abstract determinations.

(C) On the issue of priority, some flexibility would be lost but some certainty would be gained by according constructive use to an applicant's filing date. Priority is a threshold fact issue for which we need more certainty of resolution. But this would not take equity out of an infringement suit. A plaintiff asserting constructive use would not be assured victory; it would still have to establish a protectible interest and likelihood of confusion in defendant's territory to prevail.

(D) Furthermore, courts have refused to make "calendar priority" based on commercial use determinative if doing so would cause inequity.[42]

It is unlikely that courts would react differently with constructive use.

If an innocent user were to be enjoined due, in part, to an applicant's earlier filing date, this would be policy-justified. The user could have discovered the prior application in a search report before commencing use, whereas, prior to filing, the applicant could not have learned of the subsequent use. Moreover, granting an injunction to an applicant that publicly disclosed its mark by filing before another's use would be consistent with the "policy of encouraging prompt registration of marks by rewarding those who first seek registration under the Lanham Act."[43]

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[41] These include distinctiveness of the prior mark, similarities between the marks, proximity of the products and trade channels, sophistication of purchasers, likelihood of confusion, evidence of actual confusion, and defendant's good or bad faith. Polaroid Corp. v. Polarad Electronics Corp., 287 F2d 492, 495, 128 USPQ 411, 413 (CA 2 1961), cert denied 368 US 820, 131 USPQ 499 (1961).

[42] Eg, Chandon Champagne Corp. v. San Marino Wine Corp., 335 F2d 531, 534, 142 USPQ 239, 242 (CA 2 1964).

[43] Weiner King, Inc. v. Wiener King Corp., 615 F2d 512, 523, 204 USPQ 820, 830 (CCPA 1980).

10. Constitutionality of Intent-To-Use

Professor Robert B. McKay, New York University School of Law, reviewed and analyzed the Intent-To-Use Committee Report in light of applicable principles of constitutional law. He concluded, without reservation, that the proposed intent-to-use amendment would be constitutional. Indeed, he went so far as to state that the amendment would satisfy the most rigorous constitutional inquiry.

He based his conclusions on two factors. First, the amendment has a valid and substantial relationship to commerce. Second, it would ease present burdens on the flow of commerce. He felt that there was no doubt that the requirement of use in interstate commerce prior to the issuance of a registration would make the amendment valid. Similarly, he found the justifications persuasive and the changes highly desirable. He also noted that prior Supreme Court authority extended the commerce clause reach very far indeed.[44]

Professor McKay also emphasized the following points:

(1) Rational legislation based on the commerce clause is presumed valid,[45] and the presumption of validity is one of the strongest of all constitutional presumptions.

(2) The objective of the amendment is exceedingly rational in its intent to improve the flow of commerce and to lessen the present burdens on commerce.

(3) Registration and regulation of trademarks are particularly appropriate for single national rule. The states can have only the most attenuated interest in trademark legislation.

(4) Earlier intent-to-use proposals encountered constitutional difficulties because they featured allowance of registration before actual use. The amendment eliminates these risks.

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[44] Heart of Atlanta Motel Inc. v. United States, supra note 21; Katzenbach v. McClung, 379 US 294, 85 S Ct 377, 13 L Ed2d 290 (1964); Martino v. Michigan Window Cleaning Co., 327 US 173, 66 S Ct 379, 90 L Ed 603 (1946); Kirschbaum Co. v. Walling, 316 US 517, 62 S Ct 1116, 86 L Ed 1638 (1942); Wickard v. Filburn, 317 US 111, 63 S Ct 82, 87 L Ed 122 (1942); United States v. Darby, 312 US 100, 61 S Ct 451, 85 L Ed 609 (1941).

[45] Hodel v. Virginia Surface Mining & Reclamation Assn., 452 US 264, 323-24, 101 S Ct 2352, 69 L Ed2d 1 (1981). See also Federal Energy Regulatory Commission v. Mississippi, 456 US 742, 753-54, 102 S Ct 2126, 72 L Ed2d 532 (1982); Perez v. United States, 402 US 146, 91 S Ct 1357, 28 L Ed2d 686 (1971).

(5) The few doubts expressed about the reach of the commerce power relate to issues of federalism and the Tenth Amendment.[46] Those doubts are inapplicable here.

11. Conclusion

The Commission's intent-to-use proposal is not a panacea. But it addresses a serious flaw in our registration process, and should be of incremental value for our entire system. The objections voiced against intent-to-use, though worthy of consideration, concern problems that are speculative and seem manageable. The deficiencies in our present system are real and will persist as long as we retain our pre-filing use requirement. The risk/reward ratio strongly suggests that the United States adopt intent-to-use with use before registration.

B. Deadwood

1. Introduction

The volume of abandoned or inactive marks ("deadwood") on the PTO register poses a serious problem for the business community. These marks impair the utility of the register by needlessly discouraging the use of marks which are actually and legally available. To the extent that this occurs, the registration system cannot foster a healthy economy and stimulate commercial progress.

In order to reduce deadwood on the register, the Commission recommends that the term of a federal registration be reduced from twenty years to ten years. Further, we believe that deadwood would ultimately be reduced by adopting the Section 45 definition of "use in commerce" as suggested in the Intent-To-Use recommendation.[47] This would require a greater showing of actual commercial use than is presently required. This level of commercial use would be required for Section 8 and renewal affidavits with respect to every product and service set forth in the registration. Without such a statement, those products and services would be stricken from the registration. Subject to these changes, the Section 8 affidavit would continue to be required only during the initial registration term.[48]

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[46] Garcia v. San Antonio Metropolitan Transit Authority, 469 US 528, 537-47, 105 S Ct 1005, 83 L Ed2d 1016 (1985) (overruling National League of Cities v. Usery, 426 US 833, 96 S Ct 2465, 49 L Ed2d 245 (1976)). See Martha A. Field, Garcia v. San Antonio Metropolitan Transit Authority: The Demise of a Misguided Doctrine, 99 Harvard Law Review 84, 118 (November, 1985).

[47] See supra VII. A. 6., Proposed Amended Definition of Use in Commerce.

2. The Deadwood Problem and Proposal

The number of trademark registrations is reduced as registrants fail to file Section 8 affidavits in the sixth year, fail to renew their registrations, or voluntarily cancel their registrations. A registration can also be canceled in an inter partes case or a civil action on various other grounds, including the abandonment of the registered mark.

This system is far from perfect. Ideally, the records of the PTO would reflect all of the marks actually in use in the market place. At a minimum, this would facilitate more thorough and reliable trademark searching. However, since trademark registration is not compulsory, nor does the Commission believe that it should be, the register does not accurately reflect the market place situation. Both active unregistered marks and inactive registered marks distort the picture. The registration system does not affect the former, except by providing incentivesto register, but it does and should to a greater extent affect the latter. There are over a half million active registrations which one could consider in clearing a new mark, and a significant percentage cover inactive marks.

The Commission made a rough analysis of marks registered from 1966 to 1985 in an attempt to measure the amount of deadwood on the register. We concluded that approximately twenty-three percent of the active registrations over six years old are deadwood, and that approximately fifty-eight percent of these would be removed sooner than would otherwise be the case by reducing the registration term to ten years.[49] In addition, the Commission conducted a survey of United States members of the USTA to measure the degree of concern relating to this issue, and to evaluate various alternatives to resolve the problem. A large majority concluded that the amount of trademark deadwood on the register constituted a major problem.

The Commission considered recommending a proceeding similar to that available under Section 44 of the Canadian Trade Marks Act. Canadian Section 44 provides that the Registrar may at any time, upon the written request of any party after three years from the date of registration, give notice to the registrant that he must furnish evidence of use of the mark or reasons for nonuse for each of the goods covered by the registration. Failure to furnish evidence of use or a satisfactory reason for nonuse may result in cancellation of the registration in whole or in part. Many respondents to the USTA survey favored this alternative. However, we reviewed this procedure with Canadian practitioners and representatives of United States law firms and companies with Canadian Section 44 experience, and concluded that the time required to complete a Canadian Section 44 proceeding was often not significantly shorter than a cancellation proceeding in the United States. Furthermore, the Commission concluded that the PTO as presently constituted could not expeditiously handle such a procedure.

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[48] At the hearings on H.R. 9041 before the Subcommittee on Trade-Marks of the House Committee on Patents, 75th Cong, 3d Sess 142-43 (1938), Representative Lanham, Mr. Rogers, and Commissioner Coe agreed that to eliminate deadwood a registrant should be required to file a use affidavit every five years. The requirement was never adopted.

[49] These estimates are based on PTO registration and cancellation data, together with certain projections.

Certain respondents to the USTA survey opposed reducing the registration term to ten years primarily because of the increased cost to registrants of renewing twice as often. Consequently, the Commission recommends that along with the reduction of the registration term the renewal fee be reduced.

The change of the registration term to ten years would also make the term of a registration more consistent with that now used by many other countries. With a ten-year term, the United States would be in a better position to participate in any international registration treaty should it choose to do so.

The Commission believes that the foregoing recommendation would, in time, significantly reduce the amount of deadwood. It would not affect those rare situations where nonuse is only temporary or, if lengthy, is excusable because of business reasons unrelated to an intent not to resume use. It can only make trademark owners aware that the use requirement has taken on new importance, and that trademark warehousing is no longer permissible. This could only have a salutary influence on the system.

C. Attributes of Federal Registration

1. Introduction

The Commission recommends changing Sections 7(b), 33(a), and 33(b) to clarify the evidentiary benefits accorded federal registrations.

2. Clarification of Prima Facie Evidence Provisions

Sections 7(b), 33(a), and 33(b) of the Lanham Act provide overlapping evidentiary benefits for a principal register registration. Section 7(b) provides that a certificate of registration "shall be prima facie evidence of the validity of the registration, registrant's ownership of the mark, and of registrant's exclusive right to use the mark in commerce." A somewhat similar provision, but one employing different language, appears in Section 33(a): a registration "shall be admissible in evidence and shall be prima facie evidence of registrant's exclusive right to use the registered mark in commerce." By contrast, Section 33(b) provides that an incontestable registration "shall be conclusive evidence of the registrant's exclusive right to use the registered mark in commerce."

In Suggested Amendment to Lanham Act Section 33(b),[50] we recommend that Section 33(b) be amended to provide that a registration "shall be conclusive evidence of the validity of the registered mark and of the registration thereof, of registrant's ownership of the mark, and of registrant's exclusive right to use the registered mark in commerce." The Commission recommends incorporating corresponding evidentiary benefits into Sections 7(b) and 33(a). This would clarify the general understanding of the prima facie evidentiary benefits which are presently available, and make Sections 7(b) and 33(a) consistent.

3. Suggested Amendments to Lanham Act Sections 7(b) and 33(a)

At present, Section 7(b) reads as follows:

> Existing Section 7(b): A certificate of registration of a mark upon the principal register provided by this chapter shall be prima facie evidence of the validity of the registration, registrant's ownership of the mark, and of registrant's exclusive right to use the mark in commerce in connection with the goods or services specified in the certificate, subject to any conditions and limitations stated therein.

To implement the foregoing proposal, the Commission recommends the following new version of Section 7(b):

> Proposed Section 7(b): A certificate of registration of a mark upon the principal register provided by this chapter shall be prima facie evidence of the validity of the registered mark and the registration thereof, of registrant's ownership of the mark, and of registrant's exclusive right to use the registered mark in commerce in connection with the goods or services specified in the certificate, subject to any conditions and limitations stated therein.

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[50] See infra VII. E. 4.

At present, Section 33(a) reads as follows:

> Existing Section 33(a): Any registration issued under the Act of March 3, 1881, or the Act of February 20, 1905, or of a mark registered on the principal register provided by this chapter and owned by a party to an action shall be admissible in evidence and shall be prima facie evidence of registrant's exclusive right to use the registered mark in commerce on the goods or services specified in the registration subject to any conditions or limitations stated therein, but shall not preclude an opposing party from proving any legal or equitable defense or defect which might have been asserted if such mark had not been registered.

To further implement the above proposal, the Commission recommends the following new version of Section 33(a):

> Proposed Section 33(a): Any registration issued under the Act of March 3, 1881, or the Act of February 20, 1905, or of a mark registered on the principal register provided by this chapter and owned by a party to an action shall be admissible in evidence and shall be prima facie evidence of the validity of the registered mark and of the registration thereof, of registrant's ownership of the mark, and of registrant's exclusive right to use the registered mark in commerce on the goods or services specified in the registration, subject to any conditions or limitations stated therein, but shall not preclude an opposing party from proving any legal or equitable defense or defect which might have been asserted if such mark had not been registered.

4. Constructive Notice

Under Section 22 the issuance of a principal register registration is constructive notice of registrant's claim of ownership of the mark. We questioned whether constructive notice should run from the date of publication of the mark for opposition or even from the filing date of the application for registration. The Commission concluded that, in light of the intent-to-use recommendation that the application filing date establish nationwide constructive use,[51] there was no basis for changing the constructive notice provision. Constructive use would fix the applicant's priority rights, subject to the later issuance of a principal register registration. By contrast, constructive notice would take effect only on issuance, and would be applied in a court action in a determination of whether the junior user acted in good faith or whether his use would be subject to being enjoined when the registrant's use expanded to his area.

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[51] See supra VII. A. 7. b., Constructive Use Accorded Filing Date.

D. Supplemental and Other Registers

1. Introduction

The Commission does not recommend any additional registers. It has not identified any specific or serious problems that would be remedied by the creation of additional registers. To the extent that any additional registers would be useful, we believe that the attendant administrative and other problems would outweigh any significant benefits.

The Commission recommends that the supplemental register be retained, but recommends that the one-year use requirement be abolished. It also recommends that a supplemental register registration not be deemed an admission that the mark has not attained secondary meaning.

2. Additional Registers

The Commission considered the establishment of a Claim Register in the PTO. Under this proposal members of the public could file a claim of right or interest in a specific trademark for particular goods or services, whether or not they had actually used the mark. The claim would be recorded without examination to give notice of the claimant's intention to use, or use of, the mark, and to provide aid in searching. Attention would have to be given to the significance, if any, of notice of such recordal to a party searching the register. It would also be necessary to establish a procedure for removing marks from such a register, as well as to determine whether a mark that has remained on such a register for a specific period of time had any legal significance. Such a register could not be permitted to deter third parties permanently from adopting a similar or identical mark. On balance, the Commission recommends against establishing such a register. An intent-to-use system would be a far better means of providing such notice.

The Commission considered a Strong Mark Register in the PTO for a special category of distinctive marks that could not be appropriated by other users, even for unrelated goods or services. Establishment of such a register would, in effect, create a federal cause of action for dilution. A number of methods could be used to determine whether a mark has the requisite strength or distinctiveness for registration on such a register. One approach would be to require a showing that a substantial majority of the relevant public, e.g., seventy-five percent, associates the mark with the registrant or its goods or services. In the end, however, the Commission felt that it was preferable to treat the entire topic of dilution separately rather than to erect it on the foundation of a separate register.

The Commission also considered, but rejected, a Licensed Mark Register.

3. Abolition of Supplemental Register?

The Commission concludes that the supplemental register should be retained. Although the need is not as great as it once was, the register still facilitates the ability of American businesses to obtain trademark registrations in foreign countries. It also provides an important vehicle for owners of marks capable of distinguishing to put the world on notice of their rights. A supplemental register registration will appear in a search report and can block registration of a confusingly similar mark to a third party.[52] It also allows the registrant to employ the symbol ® on goods, a significant advantage to any trademark owner, and allows the registrant to establish federal jurisdiction in an infringement action. In addition, a body of statutory and decisional law on supplemental register registrations provides considerable guidance and certainty that would be impossible to duplicate if the register is eliminated or replaced.

The supplemental register was established to facilitate obtaining trademark registrations in foreign countries by United States businesses. Article 6 of the Paris Convention entitled the owner of a trademark registration issued by a signatory country to register the mark in all other Convention countries. Article 6 also provided that each country could require proof of domestic registration as a prerequisite to issuing a foreign registration. In the past, as a means of obtaining a foreign registration, many American companies obtained a supplemental register registration if they were unable to obtain a registration on the principal register. Yet almost fifteen years ago a commentator noted that the role of the supplemental register in obtaining foreign trademark or service mark registrations was declining.[53] Foreign subsidiaries had become available to obtain foreign registrations, and various other factors led to the decline. Nevertheless, the Commission believes that the supplemental register continues to facilitate foreign registration and to offer other benefits as well.

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[52] In re Clorox Co., 578 F2d 305, 306-08, 198 USPQ 337, 339-40 (CCPA 1978).

[53] L. Smejda, The Supplemental Register: Does It Fulfill Its Function Internationally and Domestically?, 62 TMR 285 (1972).

4. Suggested Amendments to Act

The Commission recommends that Section 23 be amended to provide that neither the filing of an application nor registration on the supplemental register constitutes an admission that the mark has not acquired secondary meaning. This proposed amendment would codify the holding in California Cooler, Inc. v. Loretto Winery, Ltd.,[54] that a supplemental register registrant is not barred from establishing secondary meaning against an alleged infringer using the mark at the time of registration.

The Commission also recommends that the presently required one-year period of use prior to filing an application for registration on the supplemental register be eliminated. This would facilitate both registration on the supplemental register and obtaining foreign registrations. Although Section 23 currently provides that the one-year use requirement can be waived upon a showing that a domestic registration is required to obtain a foreign registration, the Commission believes that complete elimination of this requirement is preferable. Furthermore, elimination would have no effect, either broadening or narrowing, on the underlying rights of the registrant. Use for less than a year would not rule out that the mark was "capable of distinguishing," and the mark could even be the subject of secondary meaning proof under the California Cooler doctrine.

5. Retention of ® Symbol

The Commission considered a different type of notice symbol for supplemental register marks. Such registrations are not entitled to the benefits of constructive notice, prima facie right to exclusive use, incontestability, and the means to stop the importation of infringing products. However, the Lanham Act is designed to provide a national system of registered marks for searching purposes and to encourage the marking of products with some type of registration symbol. Eliminating the use of the ® symbol for supplemental register registrations, or adopting a different symbol, would be counterproductive and confusing to trademark owners and the public. The symbol is designed to notify the public of federal registration. Members of the public can then inspect the PTO records to determine whether the registration is principal or supplemental and whether it has any limitations. Moreover, whether or not the supplemental register registrant is permitted to use the ® symbol, the same difficult question of what constitutes "good faith" is present in an infringement action. Knowledge of a prior user's mark, whether unregistered or registered on the supplemental register, will weigh against the junior user. Accordingly, the Commission does not recommend that the Lanham Act be amended to prohibit owners of supplemental register registrations from using the ® symbol. Such a change would not create any significant benefits and would only serve to conceal information from the public.

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[54] 774 F2d 1451, 1454, 227 USPQ 808, 809-10 (CA 9 1985).

E. Incontestability

1. Introduction

The Commission reviewed the incontestability provisions and decided to recommend certain changes. The provisions are ambiguous, and the courts have interpreted them inconsistently.

2. Clarification

The incontestability language of the Lanham Act requires clarification. Section 33(b) states that the registration "shall be conclusive evidence of the registrant's exclusive right to use the registered mark." Read literally, this would mean that if a defendant's mark is very similar and is used on the same goods as those in the registration, infringement would be automatic and the registrant would be relieved of his burden of proving likely confusion. But this is inconsistent with Section 32(1)(a), which defines infringement as use which "is likely to cause confusion, or to cause mistake, or to deceive."

Some courts have noted in passing that incontestable status does not relieve the registrant of proving infringement, or likelihood of confusion.[55] The Commission believes that any doubt on this fundamental point should be eliminated. Trademark infringement cannot be proved without likelihood of confusion, there being no trademark rights in gross or in the abstract. There is no evidence that the draftsmen of the Act intended otherwise.

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[55] See, eg, Lindy Pen Co. v. Bic Pen Corp., 725 F2d 1240, 1247, 226 USPQ 17, 22 (CA 9 1984), cert denied 105 S Ct 955, 226 USPQ 23 (1985) ("There can be no liability for trademark infringement, even where a mark has attained incontestable status, in the absence of likelihood of confusion."); Weil Ceramics & Glass Inc. v. Dash, 618 F Supp 700, 703, 227 USPQ 737, 738 (D NJ 1985) (Section 33(b) does not create an independent cause of action which would relieve registrant of the obligation to prove likely confusion).

It should be made clear that "incontestability" accomplishes three things. First, it should state that the registrant's continued right to use the registered mark on goods specified in the Section 15 affidavit should be "incontestable," subject to the specified exceptions. Section 15 now specifies the "right of the registrant to use" and Section 33(b) specifies the registrant's "exclusive right to use," incorporating Section 15 by reference. Second, it should state that the validity of the registrant's mark as registered and as used on the goods specified in the Section 15 affidavit should be "incontestable," subject to the specified challenges to validity. Parts of the Supreme Court's 1985 opinion in Park 'N Fly support the view that incontestability relates only to validity, while other parts of the opinion are equivocal.[56] Third, it should state that the registrant's ownership of the mark is "incontestable," subject to the specified defenses and defects.

3. Availability of Equitable Defenses

In the view of the Commission, equitable defenses (such as laches, estoppel, acquiescence, and unclean hands) should be available as against an incontestable registration under the present provisions of Sections 34 and 35. These sections provide that courts have the power to grant injunctions "according to the principles of equity" and the power to award profits and damages "subject to the principles of equity." However, the courts are divided on the question of whether these defenses, because they are not enumerated under Section 33(b), are foreclosed in an action brought on an incontestable registration.[57] The Supreme Court in the 1985 Park 'N Fly decision expressly declined to address the question.

The question was expressly discussed in Hearings in 1941, but the discussions were inconclusive. Mr. Robertson observed that the Section 19 provision for equitable principles applying to "inter partes proceedings" applied only to cases in the PTO. On the other hand, Mr. Rogers felt that expressly extending equitable defenses to court actions involving incontestable registrations was "quite unnecessary," and "that it might very well be left to the courts."[58]

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[56] Park 'N Fly, Inc. v. Dollar Park and Fly, Inc., 469 US 189, 194-205, 105 S Ct 658, 83 L Ed2d 582, 224 USPQ 327, 329-34, 75 TMR 136 (1985).

[57] Compare, eg, United States Jaycees v. Chicago Junior Assn. of Commerce and Industry, 505 F Supp 998, 1001, 212 USPQ 708, 711 (ND Ill 1981), with Cuban Cigar Brands N.V. v. Upmann International, Inc., 457 F Supp 1090, 1101, 199 USPQ 193, 202 (SDNY 1978), affd w/o pub opin 607 F2d 999 (CA 2 1979). See Note, Incontestable Trademark Rights and Equitable Defenses in Infringement Litigation, 66 Minnesota Law Review 1067 (July 1982), reprinted 75 TMR 158 (1985).

The Eighth Circuit recently emphasized that such defenses are available in an action based on an incontestable registration: "We do not believe that the limitations in §1115(b) relating to the validity or ownership of a mark also limit the discretion of the court to give equitable relief appropriate to the circumstances of each case. To do so would indeed make injunctive relief a ministerial act . . . and wipe away the discretion which is inherent in the equitable power." United States Jaycees v. Cedar Rapids Jaycees, 794 F2d 379, 382, 230 USPQ 340, 342 (CA 8 1986).

The Commission recommends that this uncertainty be ended. We propose expressly allowing equitable defenses in such actions. The courts in trademark cases have both inherent equitable power and the express power under Section 34 to grant injunctions "according to the principles of equity." Equity is the cornerstone of trademark jurisprudence. Trademark owners seek injunctions in virtually every trademark case, and they depend heavily on equitable remedies to protect their interests. Equitable defenses are as much a part of the injunctive process as irreparable harm and the inadequacy of legal remedies.[59] Without them the owner of an incontestable registration would be able to delay bringing an action for many years with no excuse, while a defendant builds up his business under his mark, and prevail. This potentially harsh and unjust result, which would not occur with a contestable registration since equitable defenses are expressly preserved in Section 33(a), is unwarranted.

4. Suggested Amendment to Lanham Act Section 33(b)

The introductory clause of Section 33(b) presently reads as follows:

> Existing Section 33(b): If the right to use the registered mark has become incontestable under section [15] of this title, the registration shall be conclusive evidence of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the affidavit filed under the provisions of said section [15] subject to any conditions or limitations stated therein except when one of the following defenses or defects is established: . . . .
>
> [list of seven "defenses or defects" follows]

To implement the above two proposals, the Commission recommends a substantial modification of Section 33(b):

> Proposed Section 33(b): To the extent that the right to use the registered mark has become incontestable under section 15 of this title, the registration shall be conclusive evidence of the validity of the registered mark and of the registration

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[58] See transcript of 1941 Hearing at 4 J. Gilson, Trademark Protection and Practice, §33, 33-50 to -51 (1986).

[59] See Beacon Theatres, Inc. v. Westover, 359 US 500, 506-07, 79 S Ct 948, 3 L Ed 988 (1959).

thereof, of registrant's ownership of the mark, and of registrant's exclusive right to use the registered mark in commerce. Such conclusive evidence shall relate to use of the registered mark on or in connection with the goods or services specified in the affidavit filed under the provisions of section 15 or, if fewer in number, the renewal application filed under the provisions of section 9, subject to any conditions or limitations stated in the certificate or in such affidavit or renewal application. Such conclusive evidence of the exclusive right to use shall be subject to proof of infringement as defined in section 32 hereof, and shall be subject to the following defenses or defects:

. . .

[8] That the equitable principles, including laches, estoppel, and acquiescence, where applicable may be considered and applied.

5. Remarks

The suggested language of the introductory clause of Section 33(b) is modeled after present Section 7(b), relating to prima facie evidence. Thus, the recommended revision provides for conclusive evidence of the validity of the mark, of the registration thereof, of the registrant's ownership of the mark and of the registrant's exclusive right to use the mark.

The Commission considered including in the Section 33(b) list all of the exceptions to incontestability which are found in other sections of the Act and which are presently incorporated by reference in Section 33(b). These exceptions are found in Sections 2(a), 2(b), 2(c), 4, 14(c), 14(e), and 15. We do not propose this change, however, because it would entail a wholesale rewriting of large portions of the Act. Thus, we suggest retaining the existing "defenses or defects" structure.

The recommended amending language uses the introductory phrase "To the extent that the right to use the registered mark has become incontestable under section 15 of this title," rather than the present language. This reflects the consensus that Section 33(b) does in fact incorporate Section 15 limitations by reference. And, in turn, Section 15 incorporates several other sections of the Lanham Act by reference.

As discussed above, the amending language provides that the conclusive evidence of the "exclusive right to use" is subject to proof of likelihood of confusion as required by Section 32. This clarifies the meaning of the phrase "exclusive right to use."

The amending language also provides that the conclusive evidence of the "exclusive right to use" is subject to equitable defenses. Thus, such defenses could be asserted against an incontestable registration. The suggested language incorporates this subject as new subsection 8 under the enumerated defenses or defects. The language tracks but is broader than Section 19, which applies to inter partes cases, in order to include unclean hands and possibly other equitable defenses not encompassed by laches, estoppel and acquiescence.

We also believe that the Section 33(b) enumerated defenses to an action for infringement of an incontestable registration should be expressly made applicable in actions for infringement of a registration which is not incontestable. Any implication that they are not is incorrect, in light of both Section 33(a) and the decisions holding that marks with no incontestable status are a fortiori subject to the same defenses.[60]

F. Trademark Definitions

1. Introduction

The Commission reviewed and analyzed the Section 45 definitions and determined that certain revisions are appropriate. The Commission believes that some of the definitions are unclear, anachronistic, or not in keeping with preferable judicial interpretation.

2. Recommendations

The Commission recommends the following changes, with the current definition stated at the outset:

a. "Applicant, Registrant"

> The terms "applicant" and "registrant" embrace the legal representatives, predecessors, successors and assigns of such applicant or registrant.

The view has been expressed that "legal representatives, predecessors, successors and assigns" is unnecessary, and that either the definition be deleted or one or more of the references be deleted. While agreeing that these references are superfluous at best, the Commission concluded that the definition should not be changed or eliminated. No known problems have resulted from the present terminology.

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[60] Eg, Forstmann Woolen Co. v. Murray Sices Corp., 10 FRD 367, 370, 86 USPQ 209, 210 (SDNY 1950).

b. "Related Company"

> The term "related company" means any person who legitimately controls or is controlled by the registrant or applicant for registration in respect to the nature and quality of the goods or services in connection with which the mark is used.

The requirement that control be legitimate resulted from the Justice Department's concern for "the dangers inherent in broadly sanctioning trademark licensing without regard to dangers to the economy." It "was intended to mean control in compliance with the federal antitrust laws."[61] The Commission considers "legitimately" superfluous since such control inherently must be in compliance with all appropriate laws. We see no need to include it in the definition of "related company." However, we nonetheless believe that the word should be retained in Section 5 to avoid raising any inference that use or control can be illegitimate.[62]

The apparent anomaly of a "related company" controlling the registrant or applicant as to the nature and quality of the goods or services has been discussed in trademark treatises.[63] The view has been expressed that such a situation does not and cannot normally exist and, therefore, the words "controls or" should be deleted from the definition. The Commission agrees with the concern expressed but not with the conclusion. For example, a wholly-owned subsidiary can own a trademark and license its use to its parent company. Obviously, the license can be drawn so that the subsidiary "controls" the nature and quality of the goods/services. At the same time, it is abundantly clear that the parent company controls the subsidiary in all respects.

To address this problem, and to streamline the language, the Commission recommends that the definition be revised as follows:

> The term "related company" means any person whose use of a mark is controlled by the owner of the mark in respect to the nature and quality of the goods or services on or in connection with which the mark is used.

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[61] 1 J.T. McCarthy, Trademarks and Unfair Competition, §18:16(C) at 840 (2d ed 1986).

[62] Section 5 refers to a mark which "may be used legitimately by related companies." In our view this language extends the legitimacy requirement to the control over the use of the mark by the trademark owner.

[63] 1 Gilson, supra note 58, §6.01(5) at 6-10.2 (1987); 1 McCarthy, supra note 61, §18:16(B) at 839.

c. *"Trade Name, Commercial Name"*

> The terms "trade name" and "commercial name" include individual names and surnames, firm names and trade names used by manufacturers, industrialists, merchants, agriculturists, and others to identify their businesses, vocations, or occupations; the names of titles lawfully adopted and used by persons, firms, associations, corporations, companies, unions, and any manufacturing, industrial, commercial, agricultural, or other organizations engaged in trade or commerce and capable of suing and being sued in a court of law.

The Commission opposes registration of trade names, on a separate register or otherwise, when they are not used on or in connection with the goods or services (in which case they can be registered if used as trademarks or service marks). Accordingly, no revision in this regard is warranted.

As to the definition itself, the Commission believes it is replete with redundancies and excess verbiage. Since the Section 45 definition of "person" is so all-encompassing, the trade name definition should be revised to read as follows:

> The terms "trade name" and "commercial name" mean any name used by a person to identify his business or vocation.

d. *"Trademark"*

> The term "trademark" includes any word, name, symbol, or device or any combination thereof adopted and used by a manufacturer or merchant to identify and distinguish his goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.

The Commission determined that the terms "symbol, or device" should not be deleted or narrowed to preclude registration of such things as a color, shape, smell, sound, or configuration which functions as a mark. The Commission does not intend to limit in any way the subject matter which historically has qualified as a trademark or service mark.

The Commission recommends that "person" be substituted for "manufacturer or merchant." The latter is too narrow, in light of contemporary marketing practices such as licensing and other distribution arrangements. "Person" is, by definition, virtually all-encompassing. It includes any juristic or natural person "entitled to a benefit or privilege or rendered liable" under the Act, and also includes any "organization capable of suing or being sued in a court of law."

The Commission believes that a trademark functions correctly if it distinguishes one's goods "from those of others." The Commission feels the definition is somewhat narrow and should be clarified by substituting "of" for "manufactured or sold by." The other person might be distributing products manufactured by someone else and by means other than a sale, such as by barter or by distributing free samples or products for charitable purposes.

The Commission also believes that the function of a trademark to "identify and distinguish" the goods includes or implies such other attributes as standards of quality, reputation, and good will. It is unnecessary to list these other attributes. The function of a trademark to indicate source should remain part of the definition because it describes an attribute which may not necessarily be included within the words "identify and distinguish."

The Commission agreed that a trademark should be used "on or in connection with the goods," and that independent use (e.g., in advertising only) is not sufficient. Changing the law to allow use in advertising alone to establish trademark rights would be an unwise, radical departure from existing law. We are, however, recommending a relaxation of the affixation requirement in the case of bulk goods where affixation is impracticable.[64]

The Commission also proposes to change the definitions of the various kinds of marks to reflect its intent-to-use recommendation. Accordingly, we propose the phrase "used or intended to be used" in each.

We therefore recommend that the definition be revised to read:

> The term "trademark" means any word, name, symbol, or device or any combination thereof used or intended to be used by a person to identify and distinguish his goods, including a unique product, from those of others and to indicate the source of the goods, even if that source is unknown.

e. "Service Mark"

> The term "service mark" means a mark used in the sale or advertising of services to identify and distinguish the services of one person, including a unique service, from the services of others and to indicate the source of the services, even if

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[64] See infra VII. K. 8., Proposed Section 45.

> that source is unknown. Titles, character names and other distinctive features of radio or television programs may be registered as service marks notwithstanding that they, or the programs, may advertise the goods of the sponsor.

The Commission did not believe any changes should be made in this definition, other than conforming it to that of "trademark." Accordingly, and assuming that the above-recommended definition of "trademark" is accepted, the Commission recommends that the definition of "service mark" be revised as follows:

> The term "service mark" means any word, name, symbol or device or any combination thereof used or intended to be used to identify and distinguish the services of one person, including a unique service, from those of others and to indicate the source of the services, even if that source is unknown. Titles, character names and other distinctive features of radio or television programs may be registered as service marks notwithstanding that they, or the programs, may advertise the goods of the sponsor.

f. *"Certification Mark"*

> The term "certification mark" means a mark used upon or in connection with the products or services of one or more persons other than the owner of the mark to certify regional or other origin, material, mode of manufacture, quality, accuracy or other characteristics of such goods or services or that the work or labor on the goods or services was performed by a member of a union or other organization.

The Commission considered including "appellation of origin" in this definition. It agreed that the term means "the geographical name of a country, region or locality which serves to designate a product originating therein, the quality or characteristics of which are due exclusively or essentially to the geographical area, including natural and human factors."[65] However, it believes that the meaning is already encompassed by the definition of "certification mark."

For uniformity, however, the Commission believes the "certification mark" definition should correspond to that of "trademark":

> The term "certification mark" means any word, name, symbol or device or any combination thereof used or intended to be

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[65] Paul B. Morofsky, Notes From Other Nations, 59 TMR 43, 51 (1969).

used by a person other than its owner to certify regional or other origin, material, mode of manufacture, quality, accuracy or other characteristics of such person's goods or services or that the work or labor on such goods or services was performed by members of a union or other organization.

g. "Collective Mark"

The term "collective mark" means a trademark or service mark used by the members of a cooperative, an association or other collective group or organization and includes marks used to indicate membership in a union, an association or other organization.

While there is a question regarding the need to maintain a separate category for such marks, which are inherently either trademarks or service marks, the Commission concludes that there is no cogent reason to eliminate the definition. Additionally, it is the Commission's view that the present definition is adequate and should be retained, subject to adding "or intended to be used" after "used." While the distinction between collective and certification marks is frequently misunderstood, resulting in the mistaken belief that the owner of a collective mark cannot use the mark in connection with the owner's own goods or services,[66] that confusion is not created by the definition.

h. "Abandonment of Mark"

A mark shall be deemed to be "abandoned"—

(a) When its use has been discontinued with intent not to resume. Intent not to resume may be inferred from circumstances. Nonuse for two consecutive years shall be prima facie abandonment.

(b) When any course of conduct of the registrant, including acts of omission as well as commission, causes the mark to lose its significance as an indication of origin. Purchaser motivation shall not be a test for determining abandonment under this subparagraph.

The Commission discussed whether abandonment should be replaced by an objective use-nonuse test, and whether adequate use should be linked expressly to factors such as the nature of the product, the nature of the market, the sale of other products in the market, and the nature of the registrant's business. It concluded that the current system based on intent, combined with an objective two year nonuse period constituting prima facie abandonment, works well and should be retained with two changes. "Use" should be defined in keeping with the intent-to-use concept,[67] and "evidence of" should be inserted after "prima facie" to clarify the meaning and to make the language consistent with Sections 7(b) and 33(a). Accordingly, the Commission recommends changing subparagraph (a) of the definition as follows:

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[66] See infra VII. K. 4., Proposed Section 4.

A mark shall be deemed to be "abandoned"—

> (a) When its use has been discontinued with intent not to resume. Intent not to resume may be inferred from circumstances. Nonuse for two consecutive years shall be prima facie evidence of abandonment. Use, as referred to in this subparagraph, means use made in the ordinary course of trade, commensurate with the circumstances, and not made merely to reserve a right in a mark.

In drafting a bill incorporating the various Commission proposals it may be advisable to employ a single definition of "use" in Section 45 so that it applies throughout the Act. If this were done the definition would not appear separately in subparagraph (a).

Additionally, assuming the addition of "generic name" as discussed below, the Commission recommends that subparagraph (b) be changed to read as follows:

A mark shall be deemed to be "abandoned"—

. . .

> (b) When any course of conduct of the registrant or applicant, including acts of omission as well as commission, causes the mark to become the generic name for the goods or services or otherwise lose its significance as a mark. Purchaser motivation shall not be a test for determining abandonment under this subparagraph.

i. "Common Descriptive Name"

"Generic name," which does not appear in the Act, is a synonym for "common descriptive name," which appears in Sections 14(c) and 15(4).[68] As stated by the United States Supreme Court,

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[67] See supra VII. A. 6., Proposed Amended Definition of Use in Commerce.

[68] 1 McCarthy, supra note 61, §12:18(A) at 573.

"[m]arks that constitute a common descriptive name are referred to as generic. A generic term is one that refers to the genus of which the particular product is a species."[69]

In the modern vocabulary of trademark law there is no question that "common descriptive name" is archaic. Court decisions, speeches, the literature in the field, and everyday conversation underscore the linguistic change. It is time to modernize and clarify the language of the Act in this regard. We therefore recommend that "generic name" be substituted for "common descriptive name" in Sections 14(c) and 15(4).[70] We make no attempt to define "generic term." The courts have already done it.

G. Section 43(a)

1. Introduction

Section 43(a) is an enigma, but a very popular one. Narrowly drawn and intended to reach false designations or representations as to the geographical origin of products, the section has been widely interpreted to create, in essence, a federal law of unfair competition. While it has spawned occasional maverick decisions, the section now provides relief against infringement of unregistered trademarks, unfair competition arising from the copying of trade dress and certain configurations of goods, false advertising claims concerning the properties of the claimant's goods, and, in a recent controversial decision, violation of one's right of publicity.[71] It has definitely eliminated a gap in unfair competition law, and its vitality is showing no signs of age. Why, one might ask, would anyone want to change it?

The Commission was reluctant to recommend any change at all. However, to prevent judicial back-tracking and in light of the recommendations for change to other sections of the Act, the Commission believes it advisable to conform the language of Section 43(a) to the expanded scope of protection applied by the courts. Our proposal would also cover one or two additional changes, and would make it clear that we encourage the courts to give our amended section the same innovative interpretation they have given the original.

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[69] Park 'N Fly, supra note 56 at 195, 105 S Ct 658, 83 L Ed2d 582, 224 USPQ at 329, 75 TMR at 138.

[70] The Seventh Circuit created considerable confusion by holding that the adjective "light"/"lite" in describing beer was a common descriptive term and unprotectible, but that the adjective "tasty"/"tas-tee" describing salad dressing was a merely descriptive term and protectible on proof of secondary meaning. Miller Brewing Co. v. G. Heileman Brewing Co., 561 F2d 75, 80, 195 USPQ 281, 285 (CA 7 1977), cert denied 434 US 1025, 196 USPQ 592 (1978); Henri's Food Products Inc. v. Tasty Snacks Inc., 817 F2d 1303, 1306, 2 USPQ2d 1856, 1858 (CA 7 1987). Our proposal would tend to eliminate this confusing terminology.

[71] Allen v. National Video, Inc., 610 F Supp 612, 625-31, 226 USPQ 483, 490-96 (SDNY 1985).

The Commission studied four principal areas in which changes in Section 43(a) were proposed:

(A) standing to raise Section 43(a) claims, or the question of who has a sufficient interest to be entitled to relief under the section;

(B) whether relief is available for false representations about a plaintiff's product;

(C) whether the remedies for infringement of a federally registered mark should be available for Section 43(a) claims; and

(D) whether the section should be amended to provide a cause of action for disparagement or tarnishment of a trademark.

The Commission recommends no change in the standing provision. Although the court decisions are less than harmonious, there is little problem with respect to the standing of a competitor, and competitors are plaintiffs in the great bulk of Section 43(a) cases. However, the Commission recommends that misrepresentations about another's products be made actionable, that registered trademark infringement remedies be expressly made available in Section 43(a) actions, and that the section be amended to protect trademarks from disparagement and tarnishment.

2. Standing

"[A]ny person who believes that he is or is likely to be damaged by the use of [a] false description or representation" has standing to seek relief under Section 43(a). Generally, there is no issue of standing. Disputes usually arise in a commercial setting, and the cases are brought by companies whose interests are clear.

The problems have arisen when others, whose commercial interests seem attenuated, have sued. The circuits have disagreed on this point. For example, in Colligan v. Activities Club of New York, Ltd.,[72] the court held that consumers lack standing to bring an action under Section 43(a), since Congress intended to create a limited unfair competition remedy "virtually without regard for the interests of consumers generally and almost certainly without any consideration of consumer rights of action in particular."[73] On the other hand, in Thorn v. Reliance Van Co., [74] the court rejected the Colligan reasoning and held that an investor in a motor carrier could bring an action under the section against a competitor of the motor carrier for false advertising. The court applied what it termed a "plain meaning interpretation" of Section 43(a).

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[72] 442 F2d 686, 170 USPQ 113 (CA 2 1971), cert denied 404 US 1004, 172 USPQ 97 (1971).

Other decisions on standing reflect comparable discord. There has been inconclusive litigation as to whether licensees can sue under Section 43(a) for infringement of the licensed trademark.[75] And the standing of a trade association to sue under the section on behalf of its members is still not settled.[76]

In the end the Commission decided that attempting to draft standing limitations for inclusion in Section 43(a) would be both risky and problematic. No doubt there are many categories of noncommercial litigants who could make a persuasive standing case. A court should be able to make a determination with all the facts before it. If standing is to be addressed it should be done only after comprehensive study and possibly hearings to allow various interested groups to state their positions. This effort is beyond the scope of the Commission's activities.

3. Misrepresentations About a Plaintiff's Product

Section 43(a) makes actionable the "use in connection with any goods or services . . . any false description or representation, including words or other symbols tending falsely to describe or represent the same." On its face the section makes no distinction as to false representations concerning (1) the defendant's goods, (2) the plaintiff's goods, or (3) a comparison of the plaintiff's and defendant's goods. It does not cover some goods or some false descriptions. It covers any. Indeed, the language appears to be a model of drafting clarity, with no need to resort to murky legislative history for explanation. Who could possibly disagree?

The Seventh Circuit Court of Appeals, for one. In Bernard Food Industries v. Dietene Co.[77] Dietene issued a comparison sheet which represented that the Bernard custard mix was inferior in flavor, texture, nutrition and cost. In addition, the sheet stated that "Delmar [Dietene] Quick Egg Custard is superior to Bernard custard in all major respects."[78] Bernard brought a false advertising claim under Section 43(a) and prevailed in the district court. The court of appeals reversed, however, holding that there is no cause of action under Section 43(a) where a defendant makes disparaging misrepresentations only as to the plaintiff's products.[79]

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[73] Id at 692, 172 USPQ at 116-17 (footnote omitted).

[74] 736 F2d 929, 931-33, 222 USPQ 775, 777-78 (CA 3 1984).

[75] Quabaug Rubber Co. v. Fabiano Shoe Co., 567 F2d 154, 160, 195 USPQ 689, 692-93 (CA 1 1977); DEP Corp. v. Interstate Cigar Co., 622 F2d 621, 622-24, 206 USPQ 673, 674-75 (CA 2 1980); Traditional Living, Inc. v. Energy Log Homes, Inc., 464 F Supp 1024, 1026, 202 USPQ 703, 704 (ND Ala 1978).

[76] See Camel Hair and Cashmere Institute of America v. Associated Dry Goods Corp., 799 F2d 6, 10-11, 231 USPQ 39, 42-43 (CA 1 1986).

[77] 415 F2d 1279, 163 USPQ 264 (CA 7 1969), cert denied 397 US 912, 164 USPQ 481 (1970).

The court attempted to justify its tortured interpretation by relying on an analysis from Samson Crane Co. v. Union National Sales, Inc.[80] Samson Crane reasoned that because the Act dealt primarily with trademarks, Section 43(a) should be limited to false representations of substantially the same economic nature as trademark infringement. Since trademark infringement can only be accomplished by a defendant with respect to its own products, the argument went, false representations about the plaintiff's products should not be actionable.

One searches the language of the section and legislative history in vain for such a limitation. And virtually none of the false advertising cases in the years following Bernard Food employs the trademark-like liability rationale.[81] Yet Bernard Food, requiring that the plaintiff prove misrepresentations as to the advertiser's [defendant's] own goods, has been followed by many courts.[82] Surprisingly, very few courts have criticized it. The district court in Skil stands out, although it was obligated to follow Bernard Food. In a footnote it stated as follows:

> [I]t does not seem logical to distinguish between a false statement about the plaintiff's product and a false statement about the defendant's product in a case where the particular statement is contained in comparison advertising by the defendant, such that in the first instance the plaintiff does not have a cause of action whereas in the latter he does. Rather, it would seem that in comparison advertising, a false statement by the defendant about plaintiff's product would have the same detrimental effect as a false statement about de-

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[78] Id at 1283, 163 USPQ at 266.

[79] Id at 1283-84, 163 USPQ at 267.

[80] 87 F Supp 218, 221-22, 83 USPQ 507, 509-10 (D Mass 1949), affd 180 F2d 896, 96 USPQ 454 (CA 1 1950) (per curiam).

[81] See 1 Gilson, supra note 58, §7.02[2] (1987).

[82] See eg, Borden, Inc. v. Kraft, Inc., 224 USPQ 811, 818 (ND Ill 1984); Skil Corp. v. Rockwell International Corp., 375 F Supp 777, 782-83, 183 USPQ 157, 160 (ND Ill 1974); Fur Information and Fashion Council, Inc. v. E.F. Timme & Son, Inc., 501 F2d 1048, 1051, 183 USPQ 129, 131 (CA 2 1974), cert denied 419 US 1022, 183 USPQ 641 (1974); Universal Athletic Sales Co. v. American Gym Recreational & Athletic Equipment Corp., 397 F Supp 1063, 1073, 187 USPQ 104, 111 (WD Pa 1975), vactd 546 F2d 530, 192 USPQ 193 (CA 3 1976), cert denied 430 US 984, 197 USPQ 783 (1977).

fendant's product. I.e., it would tend to mislead the buying public concerning the relative merits and qualities of the products, thereby inducing the purchase of a possibly inferior product.[83]

As a matter of logic and public policy, as well as of the plain meaning of Section 43(a), the Commission agrees. Section 43(a) is a broadly remedial section which extends deeply into false advertising. It is difficult to justify on policy grounds denying protection to a manufacturer whose business is being injured by clearly false and disparaging representations about its products. It is even more difficult to justify the public deception and disruption of fair competition which would almost certainly result.

We recommend that the Act be amended to provide that false descriptions and representations as to a plaintiff's products are also actionable. We realize that taking Section 43(a) at face value in this way impinges on state laws of trade libel and product disparagement.[84] We are also concerned about the frequently trivial false advertising cases which are flooding the federal courts, and do not wish to aggravate the problem. However, on balance, we strongly believe that such an amendment serves the national policy of promoting fair competition.

4. Remedies for Violation of Section 43(a)

The Lanham Act contains no specific remedy for a violation of Section 43(a), which does not require ownership of a trademark registration. The remedy provisions contained in Sections 34, 35 and 36 seem unavailable to the Section 43(a) plaintiff, since they apply only where there is a "violation of any right of the registrant of a mark registered in the Patent and Trademark Office." Section 35 is also made expressly subject to Section 29, which provides that "in any suit for infringement under this chapter by . . . a registrant failing to give . . . notice of registration, no profits and no damages shall be recovered under the provisions of this chapter unless the defendant had actual notice of the registration."

Some argue that the purpose of this combined approach was to require that a party seeking damages under Section 35 both owned an infringed registration and gave the appropriate notice of registration. Without these, the argument goes, no monetary relief should be awarded—only an injunction. Often cited as support is Burndy Corp. v. Teledyne Industries.[85] Although the issue of whether Section 35 may apply to Section 43(a) claims was not addressed in the court of appeals, the district court rejected the notion that the remedies under Section 35 so applied. It stated: "It is inappropriate and unfounded to infer an intent on the part of Congress to extend the remedies when the statutory language is explicit and contrary to any such intent."[86]

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[83] Skil, id at 782 fn 10, 183 USPQ at 160 (citation omitted). See also Schroeder v. Lotito, 577 F Supp 708, 720-21, 221 USPQ 822, 823 (D RI 1983), affd per curiam 747 F2d 801, 224 USPQ 97 (CA 1 1984) (criticizing Samson Crane).

[84] See Restatement (Second) of Torts §623A (1966), dealing with liability for the publication of injurious falsehoods.

Legislative history supports a narrow interpretation of Section 35. Prior to 1905, an infringer was only "liable to an action on the case for damages" and remedies previously available at law and in equity.[87] The Trade-Mark Act of 1905,[88] provided for the first time for the trebling of actual damages in appropriate cases.[89] The House Report,[90] explained that one of the "main objects" of the bill was to provide additional recovery for the infringement of a "registered trade-mark."[91] The prerequisites for recovery of profits for infringement, namely: (1) registration and (2) notice of registration, and the reasoning underlying the right to such recovery, were expressly carried forward from the prior acts into Section 35.

While some courts have previously assumed that Section 35 profits and damages recoveries were applicable in Section 43(a) actions, only recently have courts squarely confronted the issue. First in Metric & Multistandard Components Corp. v. Metric's, Inc.,[92] and then in Rickard v. Auto Publisher, Inc.,[93] two cases involving infringement of unregistered marks, the Eighth and Eleventh Circuits have, despite plain meaning to the contrary, specifically concluded that the Section 35 remedies do apply. In Rickard, the court examined the question in some detail, and determined that neither the statutory language nor the legislative history was dispositive. Ultimately it held that the purposes of the Act and the intent of Congress were best served by the availability of Section 35 remedies in Section 43(a) actions. The Ninth Circuit has now followed suit.[94]

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[85] 584 F Supp 656, 223 USPQ 650 (D Conn 1984), affd 748 F2d 767, 224 USPQ 106 (CA 2 1984).

[86] Id at 668, 228 USPQ at 658.

[87] Trade-Mark Act of March 3, 1881, §§7 and 10.

[88] 15 USC §§81-108.

[89] Id §16, 15 USC §96.

[90] H.R. Rep. No. 3147, 58th Cong, 3d Sess 6 (1904).

[91] The Report justified the possibility of increased damages as follows:

> It has seemed to your committee proper that the Government, which has made provision for the registration of trade-marks, should accord to the owners thereof, who have complied with the terms of the statute, full and complete redress for violation of their rights. By another section of the bill provision is made for designating registered trade-marks by printing under the trade-mark the fact that it is registered, as is done in cases of patents, so that any person who imitates or counterfeits a trade-mark will do so with notice and should therefore be held to a strict accountability for the fraud committed.

H.R. Rep. No. 3147, 58th Cong, 3d Sess 9 (1904).

[92] 635 F2d 710, 715, 209 USPQ 97, 102 (CA 8 1980).

[93] 735 F2d 450, 453-58, 222 USPQ 808, 810-15 (CA 11 1984).

Allowability of attorneys' fees has had a more checkered career. The Seventh and Third Circuit Courts of Appeals, in Blau Plumbing, Inc. v. S.O.S. Fix-it, Inc.,[95] and Standard Terry Mills, Inc. v. Shen Mfg. Co.,[96] recently questioned whether attorney's fees were available under Section 35 in a Section 43(a) action. The Third Circuit expressed "doubts whether we should rectify Congress's oversight and hold that attorney's fees are available in this case."[97] However, it refrained from deciding the issue because the district court did not abuse its discretion in denying fees.[98]

Other circuits have not directly considered the question. Moreover, a full and complete examination of the legislative histories of the prior statutes is lacking in the reported cases. Obvious anomalies exist, and there is great uncertainty as to the future state of the law. To eliminate the uncertainty we recommend that Sections 34(a), 35(a) and 36, the relief provisions of the Act, not require ownership of a registration. Such a clarification would be in keeping with the Eighth, Ninth and Eleventh Circuit holdings, and effectuate the policies of the Act.

We recommend the approach taken in the 1977 McClellan bill[99] with respect to Section 34:

> (a) The several courts vested with jurisdiction of civil actions arising under this chapter shall have power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable, to prevent the violation of any right [of the registrant of a mark registered in the Patent and Trademark Office] *protected under this chapter.*

Section 34(c) would also be revised to require that court clerks give notice to the Commissioner only of actions involving registered marks.

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[94] U-Haul Internatonal, Inc. v. Jartran, Inc., 793 F2d 1034, 1041-42, 230 USPQ 343, 348-49 (CA 9 1986); Transgo, Inc. v. Ajac Transmission Parts Corp., 768 F2d 1001, 227 USPQ 598, (CA 9 1985), cert denied 106 S Ct 802 (1986).

[95] 781 F2d 604, 228 USPQ 519 (CA 7 1986).

[96] 803 F2d 778, 231 USPQ 555 (CA 3 1986).

[97] Id at 782, 231 USPQ at 559.

[98] See Yeshiva University v. New England Educational Institute, Inc., 631 F Supp 146, 147, 229 USPQ 849, 850 (SDNY 1986) (fees allowable under Section 35 in Section 43(a) actions).

[99] S. 1416, 95th Cong, 1st Sess (1977).

Section 35, by contrast, creates a dichotomy because recovery of profits, damages and costs are presently subject to the provisions of Sections 29 and 32. The rights of a Section 43(a) claimant under Section 35(a), based on rights which do not involve a registration, would be unaffected by these provisos under our recommendation. The provisos apply to registrants giving notice of their registrations and to innocent infringers of registered marks, not to Section 43(a) claimants. Although a registrant is thus under a handicap, being deprived of profits or damages under Section 29 for failure to give notice under certain circumstances, we see no reason to place a Section 43(a) claimant under a comparable handicap. Notice of registration under Section 29 is not required in an injunction action under Section 43(a), and it is not required in a claim for attorneys' fees under Section 35.[100] Moreover, registrants almost always plead a Section 43(a) count, and could rely on this count for Section 35 relief without the Section 29 handicap.

Accordingly, we recommend a change in Section 35(a) as follows:

> (a) When a violation of any right [of the registrant of a mark registered in the Patent and Trademark Office] *protected under this chapter* shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 29 and 32 of this chapter, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action.

We also recommend modifying Section 36 along the same lines, to make it clear that destruction orders are available in Section 43(a) actions.

5. Trademark Disparagement and Tarnishment

Trademark owners have increasingly been subjected to uses of their trademarks by others which ridicule, parody, insult, or defame. The ENJOY COCAINE imitation of the Coca-Cola slogan,[101] the "L.L. Beam's Back-To-School-Sex-Catalog,"[102] and the slogan MUTANT OF OMAHA with a logo resembling Mutual of Omaha's Indianhead logo[103] are but a few examples. Many of these are merely tasteless and a few amuse, but a number of them cross the legal line and become injurious to the trademark owner. Unsavory (or worse) associations can be highly detrimental to a trademark owner's good will and reputation, causing loss of consumer loyalty and trade.

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[100] Schroeder v. Lotito, supra note 83, 747 F2d at 802, 224 USPQ at 97-98.

[101] Coca-Cola Co. v. Gemini Rising, Inc., 346 F Supp 1183, 175 USPQ 56 (EDNY 1972).

[102] L.L. Bean Inc. v. Drake Publishers Inc., 811 F2d 26, 1 USPQ2d 1753 (CA 1 1987).

[103] Mutual of Omaha Insurance Co. v. Novak, 775 F2d 247, 227 USPQ 801 (CA 8 1985).

The courts have been unable to develop a clear basis for deciding which of these are actionable and what law is being violated. In general, those which tend to amuse or parody, and are not likely to confuse, are not actionable.[104] Those which are disgusting, vulgar, and no laughing matter often are. Trademark infringement and dilution laws are two possible grounds for relief, but often they do not fit conceptually. The problem is compounded by the crosscurrent of First Amendment rights of free speech.[105] The Commission believes that a separate ground for relief will aid the courts in dealing with these situations.

We are unable to draw a bright line between those uses which are actionable and those which are not. The fact situations are often bizarre and the outcome is dictated by a court's eye-of-the-beholder reaction and sense of humor (or lack thereof). The courts will continue to make these subjective judgments on a case-by-case basis.

However, a separate legal basis for relief will remove the need to apply legal doctrines which do not fit. We propose adding a new Section 43(a)(3) specifically to cover disparagement and tarnishment. In appropriate cases the courts will be able to grant relief in the absence of likelihood of confusion and in the absence of true dilution. Although tarnishment can dilute trademark distinctiveness, the typical injury is less dilution than injury to reputation.

Disparagement and tarnishment are overlapping but not synonymous concepts. Disparagement would encompass the more extreme uses, and tarnishment the less extreme but still actionable uses.

The constitutionality of such a provision will almost certainly be tested, but we believe it would be upheld under the authority which holds that neither infringing trademarks nor false advertising are subject to First Amendment protection.[106]

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104. Universal City Studios, Inc. v. Nintendo Co., 746 F2d 112, 120, 223 USPQ 1000, 1006 (CA 2 1984) (DONKEY KONG); Jordache Enterprises, Inc. v. Hogg Wyld Ltd., 625 F Supp 48, 57-58, 227 USPQ 794, 799-800 (D NM 1985) (LARDACHE jeans for overweight women).

105. L.L. Bean Inc. v. Drake Publishers Inc., supra note 102.

106. Eg, Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd., 604 F2d 200, 206, 203 USPQ 161, 165-66 (CA 2 1979); Warner-Lambert Co. v. Federal Trade Commission, 562 F2d 749, 758 (CADC 1977), cert denied 435 US 950 (1978). But see L.L. Bean Inc. v. Drake Publishers Inc., supra note 102 at 31-34, 1 USPQ2d at 1757-59.

6. Statutory Revision

We propose the following, adapted from the McClellan bill, as a replacement of the present Section 43(a):

> Any person who, in commerce, shall use in connection with any goods or services, or any container for goods, any word, term, symbol, or device, or who shall engage in any act, trade practice, or course of conduct, which:
>
> (1) is likely to cause confusion, mistake, or deception as to the affiliation, connection, or association of such person with another, or as to the origin, sponsorship, or approval of his goods, services, or commercial activities by another; or
>
> (2) by use of a false designation of origin or of a false or misleading description or representation, or by omission of material information, misrepresents the nature, characteristics, or qualities of his or another person's goods, services, commercial activities, or their geographic origin; or
>
> (3) is likely to disparage or tarnish the mark of another;
>
> shall be liable in a civil action by any person who believes that he is or is likely to be damaged in his business or profession by said action.
>
> The relief provided for by this section shall be in addition to and shall not affect those remedies otherwise available under this Act, under the common law, or pursuant to the statutes of any state or of the United States. Nothing in this section shall be construed to preempt the jurisdiction of any state to grant relief in cases of unfair competition.

We have not provided a cause of action for misappropriation of trade secrets, which was part of the McClellan bill. We have also not provided a cause of action for violation of one's right of publicity. There is on-going debate about the nature of that right, and we believe it best to leave the subject to case-by-case development. We also omitted a cause of action based simply on "unfair competition," believing that it would have been entirely too broad and unworkable.

In drafting the foregoing language the Commission in no way intended to limit the continuously expanding scope of Section 43(a) as developed in forty years of decisions. We trust we have left unlimited room for the courts to expand even further this vigorous section.

H. Protection of Titles

1. Introduction

Titles of books, plays, motion pictures, and songs fall within a special branch of intellectual property law. While they are not ordinarily registrable as trademarks they do enjoy legal protection under certain circumstances.

Protection is available under both state law and Section 43(a), but the question is whether protection of titles for individual works of authorship should be specifically included in the Act. The Commission concluded that no such specific grant should be made.

2. Background

Titles of individual works have traditionally been denied protection as trademarks under both federal and state law on the ground that such titles are merely descriptive of the works for which they act as titles.[107] Indeed, registration of such a title as a trademark under the Act has been refused on this ground.[108] Although the 1984 revised definition of "trademark" in Section 45 may permit registration of a title for a "unique" or individual product such as a book, there are currently no court decisions in point.

On the other hand, titles of a series of books, magazines, and television programs may be registered as trademarks and service marks. They are no longer descriptive of just one work but identify the producer of the works as well as the series itself.[109] Registration may also be obtained for the title of a single work under Section 2(f), provided the owner can show that the title has acquired secondary meaning. This has the unfortunate consequence, however, of denying trademark protection for a title during its most popular period. Finally, a title may be registered on the supplemental register. In general, however, a title to an individual work may not be registered as a trademark under the Act.

Those who seek to protect a title of an individual work have used the law of unfair competition as it exists under state common or statutory law,[110] or under Section 43(a). Most such laws require the plaintiff who wishes to enforce title rights to prove with substantial evidence that the title has acquired secondary meaning.[111] The courts have, however, described what they mean by secondary meaning in a number of ways, to the point where there is less than total uniformity.[112]

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[107] Eg, Colvig v. KSFO, 224 Cal App2d 357, 36 Cal Rptr 701, 140 USPQ 680, 685 (Calif Dt Ct App 1964).

[108] Eg, In re Pilon, 195 USPQ 178, 179 (TTAB 1977).

[109] Eg, HMH Publishing Co. v. Hale, 156 F Supp 594, 595, 115 USPQ 351, 352 (ND Calif 1957); B & I Publishing Co. v. Ace Magazines, Inc., 86 USPQ 183 (NY Sup Ct 1950).

Producers of motion pictures for the theatrical market have established a voluntary agency to register titles and to provide a forum for arbitrating disputes over conflicts. Each producer agrees contractually to be bound—to a large extent—to the decisions of the title agency, which is operated under the aegis of the Motion Picture Association of America in New York City. This system, which is open to all producers willing to pay the comparatively nominal fees involved, provides a certainty that is not available under state law and the Act.

While there is a fair amount of uncertainty in the predictability of title protection cases, especially in light of the required proof of secondary meaning, the law seems (whether consciously or not) to have created a balance between the interests of the title owner and the other members of the creative community who want the freedom to use titles to describe their disparate works. As the records of the United States Copyright Office will attest, there are many, many works of authorship that use identical or conflicting titles, even though the authors of those works are different. This has been the case for many years, seemingly causing little turmoil or confusion in the public's mind. Where the title has become famous through use or pre-release publicity, the Lanham Act and state laws of unfair competition appear to provide adequate, albeit not necessarily complete, protection for the title owner and the public. Given the above history, the Act, although not designed that way, seems to satisfy the current needs of users of titles and that of society's to avoid consumer confusion, and thus does not in our opinion require amending on the issue of title protection.

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[110] Eg, Leeds Music Ltd. v. Robin, 358 F Supp 650, 660, 179 USPQ 413, 420 (SD Ohio 1973); Gordon v. Warner Bros. Pictures, Inc., 269 Cal App2d 31, 74 Cal Rptr 499, 161 USPQ 316, 318 (Calif Dt Ct App 1969); Warner Bros. Pictures, Inc. v. Majestic Pictures Corp., 70 F2d 310, 311, 21 USPQ 405, 406-07 (CA 2 1934).

[111] Eg, Hospital for Sick Children v. Melody Fare Dinner Theatre, 516 F Supp 67, 73, 209 USPQ 749, 754 (ED Va 1980); Dawn Associates v. Links, 203 USPQ 831, 835 (ND Ill 1978).

[112] See Orion Pictures Co. v. Dell Publishing Co., 471 F Supp 392, 202 USPQ 819, 823 (SDNY 1979); Brandon v. Regents of the University of California, 441 F Supp 1086, 1091, 196 USPQ 163, 167 (D Mass 1977); Kirkland v. National Broadcasting Co., 425 F Supp 1111, 1115, 198 USPQ 560, 563 (ED Pa 1976).

I. Security Interests in Trademarks

1. Introduction

With the escalating activity in mergers, acquisitions and leveraged buy-outs, there is a critical need for certainty in obtaining security interests in trademarks. The Commission has analyzed two areas: (1) the nature of the interest, that is what rights a secured party obtains in a debtor's trademarks, and (2) the mechanics of obtaining and enforcing a security interest, such as where filings should be made and how to effect foreclosure.

2. Background

To ensure that collateral is available to a creditor in the event of a debtor's default, a creditor (perhaps unknowingly) is likely to seek protection through means that are not only unnecessary to protect its rights adequately, but which may also endanger or impair the debtor's valuable trademark rights. An example of this is a creditor who takes an assignment of the trademark and then licenses it back to the debtor. In Haymaker Sports, Inc. v. Turian,[113] such an assignment with a license back was held to have invalidated the trademark rights assigned to the creditor. If the creditor in that case had taken a conventional security interest, rights to the mark would have been preserved. Nonetheless, many creditors are willing to put trademark rights at risk under the misapprehension that their position has been improved.

Clarification is also necessary because the PTO itself has difficulty in handling security interest filings. For example, the PTO may require a trademark owner to clarify ownership when a renewal is made after a security interest has been filed. Thus, the PTO seems to treat this type of filing as an assignment even though title has not, in fact, changed hands. In addition, courts are often asked to resolve the ambiguity which currently exists over how a trademark security interest is obtained, especially where no one filing has clearly preempted the others.[114]

The current Trademark Rules of Practice provide for the recordal of assignments as well as "[o]ther instruments which may relate to such marks . . . in the discretion of the Commissioner."[115] Section 502 of the Trademark Manual of Examining Procedure further indicates that such instruments, other than assignments, can be recorded. Thus, while the law seems clearly to provide for the recordal of documents such as those used to grant a creditor a security interest in one's trademarks, it is silent as to what effect, if any, the recordal has in establishing a creditor's rights.

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[113] 581 F2d 257, 261, 198 USPQ 610, 613 (CCPA 1978).

[114] Roman Cleanser Co. v. National Acceptance Co. of America, 43 BR 940, 225 USPQ 140, 141-49 (Bankr Ct ED Mich 1984), affd on other grounds 802 F2d 207, 231 USPQ 301 (CA 6 1986).

[115] 37 CFR §2.185 (1986).

3. Commission Recommendation

The Commission proposes an amendment to the Lanham Act to provide specifically for the granting of security interests in trademarks, under the following conditions:

(A) A security interest in a federally registered trademark can only be obtained by filing in the PTO.

(B) Since under Section 10 a trademark cannot be assigned without good will, a security interest should be granted in both the trademark and the good will which accompanies the trademark. Thus, on foreclosure of a security interest in a trademark (i.e., its being taken over by a creditor), the applicable good will of the business would accompany the transfer.

(C) The holder of a security interest would have basically two rights: (1) the right to foreclose on the mark and accompanying good will associated with the trademark (when a financial institution is the creditor, this is really the right to require the debtor to assign to a buyer obtained by the creditor), and (2) the right to proceeds from the sale of the mark.

These changes do not represent a major departure from current practice. Rather, they would clarify the nature of a security interest in trademarks and the attributes of such an interest.

4. The Nature of the Security Interest

In theory, a security interest in a trademark resembles a security interest in other forms of property. For example, a security interest is, in general terms, the interest a lender has in a car when the lender has loaned money to the car buyer to make the purchase. It is also the interest a mortgagee has after loaning money to a real estate buyer. Thus, the holder of the security interest does not have a present right to use the property purchased with the loaned money. It is in this way that a security interest differs from an assignment which conveys title immediately to the creditor. Instead, a security interest gives a creditor the right to take action against the property on the occurrence of certain events (eg, the borrower's failing to make payments on his/her debt) which are usually spelled out in a loan document or security agreement. If the debt is paid off prior to the occurrence of any of the stipulated events, the creditor will never own, use or otherwise exercise rights to the property. On the occurrence of such an event, however, the creditor can look to the property which is subject to the security interest for satisfaction of the debt. Other creditors who do not have security interests cannot look to specific property and, in some cases, have no assets at all with which unpaid debts can be satisfied.

Security interests in personal property can be obtained (created) in a number of ways. In some cases, such rights arise automatically. An example is the lien a repairman often has when he has performed work on property, such as a car.[116] In other cases, creditors have to make a filing to create such an interest. This is exemplified by the recording of a security interest in a car, although many variations exist.

5. Creating a Security Interest

The procedure which must be followed to create a security interest differs with the type of property. It is stipulated by either state or federal statute or common-law. The most frequently invoked statutory scheme is Article 9 of the Uniform Commercial Code which has been adopted in differing forms by forty-nine states. It governs security interests in most personal property, including intangible property, unless preempted by federal law.

UCC Section 9-104 states that "[t]his article does not apply (a) to a security interest subject to any statute of the United States, to the extent that such statute governs the rights of parties to and third parties affected by transactions in particular types of property." UCC Section 9-302(a) states "(3) [t]he filing of a financing statement otherwise required by this Article is not necessary or effective to perfect a security interest in property subject to (a) a statute or treaty of the United States which provides for a national or international registration or a national or international certificate of title or which specifies a place of filing different from that specified in this Article for filing of the security interest." Security interests in copyrights are subject to such preemption.[117] Reading these two sections together, however, courts have failed to find similar preemption in relation to federally registered trademarks since neither the Trademark Rules of Practice nor the Lanham Act specifically provides for filing security interests in the PTO.[118] As a result, security interests in federally registered trademarks are governed by Article 9, the terms of which may vary from state to state, and can exist without any filing in the PTO.

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[116] Cal Civ Code, Chapter 6.5, §3068 (1974).

[117] IC, P.F. Coogan, W.E. Hogan and D.F. Vagts, Secure Transactions Under the UCC, Bender's Uniform Commercial Code Service, 25A.05, at 25A-40 (1986).

The original purpose of Article 9 was to simplify and lend certainty to the manner in which security interests were obtained in personal property.[119] Thus, creditors could follow a specific filing procedure and be assured that the goods subject to the security interest would be available to them to the exclusion of all other creditors to offset a debtor's obligation if the debtor defaulted. In relation to tangible assets, the goal of increased certainty in the law has in large part been met. In relation to trademarks, however, this goal cannot be achieved without amending the Lanham Act and the Trademark Rules.

The reasons for this are many. Trademarks differ from other types of personal property, title to which can pass unrestricted when a debtor fails to pay a creditor. Under Section 10 trademarks, on the other hand, cannot be transferred without the accompanying good will. Trademark rights are intangible. Except for registration documents, they do not have a tangible presence evidencing ownership. As a result, trademarks cannot simply be repossessed by a creditor and sold like other types of property if a debtor defaults. Thus, foreclosure by taking possession of the property, without judicial intervention as contemplated by Article 9, is not feasible.

These differences raise substantial questions under Article 9. In particular, security interest filings in relation to "general intangibles," which include trademarks, are made at the state level. Nonetheless, if a debtor has federally registered trademarks which are also covered by state registrations, would another creditor attempting to determine whether the debtor had already given a security interest to someone else have to search all states to determine what other security interests had been given?

Since federal law provides a system for registering trademarks, it is only logical that rights which might affect the registered owner's interest be reflected on that register. In addition, greater certainty is gained by requiring that filings be made in the PTO. A filing pursuant to Article 9 might recite that the creditor was taking a security interest in all of the debtor's trademarks without specifying the actual marks. Even the agreement giving rise to the security interest (e.g. the loan documents) might be equally vague. Thus, sound reasons exist to require filing in the PTO in relation to each specific mark in which a security interest is being granted as the exclusive means of obtaining a security interest in federally registered trademarks.

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[118] Supra note 114, 225 USPQ at 143-45.

[119] Supra note 117 at 2.13.

Such a filing scheme must be mandatory. To provide that security interests can be granted in federally registered trademarks and then make filing in the PTO voluntary, lends no certainty to creditors. This is, in effect, the current status of the law (i.e., filing pursuant to Article 9 is required to prevent third parties from acquiring conflicting or superior rights). Therefore, to ensure that the effect of filing in the PTO is to give the first creditor to file rights superior to all subsequent creditors, the filing must be mandatory and the statute must expressly give this effect to the filing. Article 9 has the same effect at the state/local level. If the requisite filing is not made, a creditor does not, generally speaking, have rights to the property superior to other creditors.

The establishment of such a requirement will not be disruptive to the scheme of Article 9. Article 9 would still apply to common-law rights and state registered trademarks if no federal registration had been obtained. And since a filing requirement currently exists under Article 9, the only change for creditors is the place of the filing. By failing to file in the PTO, a creditor would be in the same position as if it failed to comply with the requirements of Article 9. To the extent federal rights are not completely preemptive of state or common-law rights, the federal filing should expressly preempt any other filings which might give rise to conflicting interests among creditors.

In addition to the certainty Article 9 brought to the law of secured interests, it changed prior laws by allowing a creditor to assert its rights to the property covered by the security interest by engaging in "self help" on a debtor's default.[120] Thus, on a debtor's default, a creditor can take possession of the property subject to the security interest and sell it to satisfy the debtor's obligation to the creditor. With trademarks, a creditor could, of course, achieve the same effect by having the debtor execute an assignment on default or by having the debtor grant the creditor a power of attorney to sign such an assignment on the debtor's behalf. Alternatively, the creditor could obtain an executed assignment from the debtor which would be filed only on the debtor's default.

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[120] See UCC §§9-503 and 9-504.

Although each of these alternatives has advantages for a creditor, a creditor must be careful to avoid an assignment which would invalidate the marks. This could occur if a debtor was in default and a creditor took title to the marks, even though the debtor was still conducting its business and, therefore, retained the good will. With other types of property which might be the subject of a security interest, of course, the nature of the assignment procedure is not a concern. Because of the requirement that trademark assignments be accompanied by good will, however, any change to the Lanham Act and the accompanying rules should strike a balance between this requirement and the ability of creditors to foreclose on secured property without judicial proceedings.

6. Proposed Statutory Framework

Despite the shortcomings of using Article 9 as the means of obtaining a security interest in federally registered trademarks, analogizing to Article 9 is very helpful in establishing a filing procedure for the PTO and in analyzing the nature of a creditor's interest.

There are basically four areas in which security interests are regulated by Article 9: creation, perfection, priority in relation to third parties, and enforcement. The federal legislation we are proposing would preempt Article 9 only in relation to perfection (by stipulating the PTO as the place for filing) and enforcement (on default, a mark could be temporarily assigned to a creditor not otherwise engaged in the debtor's business, or it could be conventionally assigned). Based on the foregoing, the Commission proposes the following:

a. Creation

A security interest is created when a debtor expressly grants a creditor such an interest, regardless of whether the creditor has loaned money to allow the debtor to purchase the mark or for some other reason. A security interest subject to this proposed amendment can only be taken in a federally registered mark or application based on intent-to-use. With respect to an application based on use in commerce, the appropriate filing (until registration issues) would be pursuant to Article 9 to ensure that a creditor has priority over other creditors in the common law rights in the mark. Thus, prior to registration, security interests in trademarks used in commerce would continue to be governed by Article 9. A creditor could, of course, file notice of a security interest in the PTO in relation to a pending application. The filing would not, however, have the same effect as one made pursuant to Article 9 for the reason stated above.

b. Perfection

This refers to the steps necessary to effect a valid security interest as between the secured creditor and third parties (e.g., purchasers). The steps are, basically, an agreement, value exchanged, and filing. On completion of the requisite steps, a security interest is said to be perfected. We recommend that notice of a security interest be filed in the PTO within ten (10) days of the interest being granted; once filed, it would give a creditor rights which would be superior to any other creditors who subsequently filed in the PTO. The PTO will have to expedite its handling of these filings so that they fulfill the function of putting other creditors on notice of the interest.

Although a federal registration might be supported by some common-law rights which are broader than those existing under the federal registration, it is not unreasonable that the federal law preempt any Article 9 filings.

c. Priority

This relates to the rights of the secured party in relation to other creditors, secured and unsecured, as well as to purchasers. The first party to file in the PTO in relation to a registered trademark would have priority over subsequently filed interests. An Article 9 filing made prior to a registration issuing for a particular mark would have priority over a subsequent PTO filing, if a PTO filing was made by the first secured party within four (4) months of issuance of the federal registration (priority in relation to third parties would run from the date of the Article 9 filing). This parallels the UCC requirement for other types of property which "move" from one jurisdiction to another.[121]

d. Enforcement

This gives the creditor the right to sell the mark and accompanying good will on the debtor's default. It is accomplished by the debtor assigning the mark to the creditor's buyer. Alternatively, a creditor could take title to the mark and accompanying good will and use the mark itself. On foreclosure, the creditor's buyer or the creditor if it is using the marks, would have the right to treat any other entity (including the same or other creditors) as an infringer if labels or other materials bearing the mark were used in a manner not authorized by the buyer. If a creditor does not immediately have a buyer on the debtor's default and/or otherwise deems it advisable to transfer title from the debtor after the occurrence of an event of default, the statute should provide that the creditor can take title without invalidating the mark(s), provided that the assignment from the creditor to a buyer is accompanied by good will as required by Section 10, as that requirement has been further interpreted by the courts.[122]

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[121] UCC §9-103(2)(b).

In addition, a creditor should be careful to avoid abandonment of a mark (as defined in Section 45) by assigning rights to a mark for closely related products to different entities. Since the occurrence of an abandonment will always be a question of fact, however, and since the concept of "associated marks" has not been incorporated into the Lanham Act, it does not appear necessary to restrict by statute how trademark rights as they relate to different products can be assigned. Similarly, it does not appear necessary to require a creditor to take a security interest in all related marks.

7. Proposed Statute

Specifically, we propose the amendment of Section 10 as follows:

(A) A registered mark or a mark for which application to register has been filed shall be assignable with the goodwill of the business in which the mark is used, or with that part of the goodwill of the business connected with the use of and symbolized by the mark. An assignment shall be void as against any subsequent purchaser for a valuable consideration without notice, unless it is recorded in the Patent and Trademark Office within three (3) months after the date thereof or prior to such subsequent purchase.

(B) A security interest can be obtained in a federally registered trademark and will be superior to any interest subsequently granted to a third party, provided that:

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[122] Reconstruction Finance Corp. v. J.G. Menihan Corp., 22 F Supp 180, 182, 37 USPQ 323, 325 (WDNY 1938) (sale to lender to foreclose on security did not automatically invalidate trademarks); Avon Shoe Co. v. David Crystal, Inc., 171 F Supp 293, 301, 121 USPQ 397, 403 (SDNY 1959), affd 279 F2d 607, 125 USPQ 607 (CA 2 1960), cert denied 364 US 909, 127 USPQ 555 (1960) (transfer of mark must be accompanied by some business with which mark is used).

(1) The party being granted the security interest also obtains a security interest in the goodwill of the business which accompanies the trademark; and

(2) Notice of such interest is filed in the Patent and Trademark Office within ten (10) days of being granted; and

(3) The mark is not subject to a valid, prior perfected security interest. (An example of such a prior perfected interest would be where a creditor makes a state filing covering the mark before an application for federal registration has been filed and then subsequently files in the PTO within four (4) months of registration issuing, as provided by statute.)

(C) A party which has been granted a security interest in a federally registered trademark may, after default by the party granting the security interest, require the debtor to assign the trademark to:

(1) A transferee who is also being assigned the goodwill symbolized by the trademark; or

(2) The party holding the security interest, even though such party does not engage in the business to which the mark relates, provided that the secured party either engages in the business to which the trademark relates or holds the mark only for the purpose of subsequently transferring it along with the goodwill relating to the mark and that such subsequent transfer occurs prior to the dissipation of the goodwill.

(D) The security interest in a trademark obtained pursuant to this section will extend to consideration received upon the sale, exchange, collection or other disposition of the trademark for ten (10) days after receipt of the consideration by the transferor and will then lapse unless a financing statement or other document is filed as required by appropriate state law.

(E) In any such assignment or grant of a security interest it shall not be necessary to include the goodwill of the business connected with the use of and symbolized by any other mark used in the business or by the name or style under which the business is conducted. Assignments and grants of security interests shall be by instruments in writing duly executed. Acknowledgment shall be prima

> facie evidence of the execution of an assignment or grant of a security interest and when recorded in the Patent and Trademark Office the record shall be prima facie evidence of execution. The Commissioner shall maintain in the Patent and Trademark Office a separate register for documents described in this section which are submitted for recording hereunder.
>
> (F) An assignee or secured party not domiciled in the United States shall be subject to and comply with the provisions of section 1(d) hereof.

This proposed amendment is somewhat complex and raises a number of issues which will no doubt draw comment from both trademark and commercial law practitioners. Although we recommend covering security interests in an amendment of this type, it would be possible to formulate a simpler approach: amend the statute in general terms and add the mechanics to the Trademark Rules of Practice. This approach could take the form of the following addition to Section 10:

> The Commissioner shall establish and maintain a register for the recording of any document which affects the title to, or any interest in, any federally registered trademark or application therefore. The Commissioner shall also record under the system provided for in this section any release, cancellation, discharge, or satisfaction relating to any conveyance or other instrument recorded under said system. Any assignment, security interest or other interest in a trademark shall be void as against any subsequent purchaser or other entity being granted an interest for a valuable consideration without notice, unless recorded in the Patent and Trademark Office within three (3) months after the date thereof, prior to such subsequent purchase in the case of an assignment, or within ten (10) days of the grant of any other type of interest.

J. Trademark Licensing

1. Merchandising Marks and Quality Control

The Commission considered whether the practicalities of quality control in collateral products trademark licensing (or the licensing of "merchandising" rights) made it appropriate to change the applicability of quality control standards. The Commission was mindful of the explosive growth in such licensing and the proliferation of different types of products under "merchandising" marks, such as HERSHEY overalls, HARLEY-DAVIDSON beach towels, DR PEPPER refrigerators, and COCA-COLA wearing apparel. Colleges and universities have also mounted the licensing bandwagon, and licensed FIGHTING IRISH merchandise is commonplace in South Bend.

The Commission recognizes that it is difficult for a trademark licensor in this context to provide meaningful quality control during the license term. For example, there is no reason to believe that a college licensing administrator would have the technical expertise to review and pass judgment on the quality of wearing apparel, wastebaskets, and ceramic mugs bearing the likeness of the football team mascot. Often, one assumes, there is no supervision or testing unless there are consumer complaints, noticeable deterioration in quality, or product liability claims.

The commercial realities, it has been argued, should give way to a less stringent standard where the role of the trademark is less that of a quality indicator and more of a way for the purchaser to show product or school loyalty or affiliation. Several authors have commented on the adoption of a different standard in this situation.[123]

The Commission considered reducing the risk of abandonment of a licensed trademark in a merchandising license arrangement, after the licensor had set quality standards and approved samples. Under the proposal there could be no abandonment from the licensor's failure to police quality, to inspect the licensed goods production facilities, or otherwise to control the nature and quality of the licensed goods, provided that the original quality is not reduced and the public is not damaged or deceived. In effect, the licensor would not be responsible for continuing supervision of the licensee's activities, so long as the licensee maintained the original standards of quality. This approach would have reduced the licensor's exposure from its lack of policing expertise without harming the public.

After considerable discussion and debate, the Commission decided that the public interest in avoiding deception in the licensing context was a very sensitive issue and that statutory relaxation of the quality control requirements was not appropriate.

2. Licensee First Use

The Commission was mindful of early authority suggesting that licensee first use of a trademark would not ordinarily vest trademark ownership rights in the licensor.[124] On the other hand, Trademark Rule 2.38(a),[125] states that first use by a related company inures to the benefit of the licensor-applicant.[126] In order to remove any doubt, and without questioning the validity of trademark rights heretofore established through licensee first use, the Commission recommends an appropriate amendment to the Act. The amendment would expressly authorize related company first use to inure to the benefit of the licensor-applicant, so as to unmistakably make it the "owner of a trademark used in commerce" within Section 1.

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[123] William M. Borchard and Richard M. Osman, Trademark Sublicensing and Quality Control, 70 TMR 99 (1980); W. J. Keating, Promotional Trademark Licensing: A Concept Whose Time Has Come, 89 Dickinson Law Review 363 (Winter 1985).

K. Housekeeping

1. Introduction

The Commission reviewed dozens of suggested changes in the Act and the trademark rules. After a lengthy sifting process, it determined that only a few such suggestions should be adopted as recommendations.

2. Proposed Section 2(d)

We propose amending Section 2(d) to permit a concurrent use proceeding when the junior user's lawful use commences prior to the registration date of the senior user rather than the filing date of the senior user's application.

Section 2(d) presently permits a concurrent use proceeding to be instituted only if the junior user commences lawful use of his mark prior to the filing date of the application or registration of the senior user. The section is ambiguous in referring to the filing date of the registration, but it appears to be interpreted as referring to the filing date of the application leading to the registration.[127] As such, the rule appears to be inconsistent with Section 22, which provides that registration of a mark on the principal register shall be constructive notice of the registrant's claim of ownership. Furthermore, a court can order the issuance of a concurrent use registration even though the junior user's date of first use is subsequent to the senior user's filing date. Rather than forcing an applicant to institute court proceedings, Section 2(d) should be amended to permit the institution of a concurrent use proceeding when the junior user's use commenced in good faith before constructive notice becomes effective, namely before the senior user's registration date.

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[124] See, eg, In re C.B. Donald Co., 122 USPQ 401, 402-03 (TTAB 1959), on reconsid 122 USPQ 535 (TTAB 1959).

[125] 37 CFR §2.38(a).

[126] See also Turner v. HMH Publishing Co., 380 F2d 224, 229, 154 USPQ 330, 333-34 (CA 5 1967), cert denied 389 US 1006, 156 USPQ 720 (1967).

[127] TMEP §1207.04.

We also propose amending Section 2(d) by adding the following provision:

> Use prior to any filing date of a pending application or registration shall not be required when the owner of such application or registration consents to the grant of a concurrent registration to the applicant.

The change is designed to correct the anomaly whereby a concurrent use registration cannot be issued to a party whose first use of a mark occurred after the filing date of another user's application, even if the parties enter into an agreement establishing their respective rights. The Commission supports the proposed statutory amendment because it would encourage the settlement of disputes over geographical trademark rights, rather than forcing the parties into litigation.

3. Proposed Section 2(f)

We propose amending Section 2(f) by deleting the following bracketed portion and inserting the italicized portions:

> Section 2(f): Except as expressly excluded in paragraphs (a)-(d) of this section, nothing in this chapter shall prevent the registration of a mark used by the applicant which has become distinctive of the applicant's goods *or services* in commerce. The Commissioner may accept as prima facie evidence that the mark has become distinctive, as applied to the applicant's goods *or services* in commerce, proof of substantially exclusive and continuous use thereof as a mark by the applicant in commerce for the five years next preceding [the date of the filing of the application for its registration] *an offer of proof by the applicant.*

Presently Section 2(f) allows the Commissioner to accept as prima facie evidence that a mark has become distinctive proof of substantially exclusive and continuous use of the mark by the applicant in commerce for the five years next preceding the date of the filing of the application. There is no reason to limit the offer of proof to five years of continuous use next preceding the filing date. An offer of proof should be acceptable by the Commissioner if the mark has been used for five consecutive years next preceding the date that the offer of proof is made. This would permit the applicant to utilize the application pendency period as part of the five-year period, avoiding delay and the possible expense of refiling the application.

The second amendment to Section 2(f), the insertion of "or services," conforms the section to the practice.

4. Proposed Section 4

The term "certification mark" is defined under Section 45 as a mark used by one or more persons "other than the owner of the mark" to certify various characteristics of goods or services. These marks and collective marks are registrable under Section 4. However, Section 4 is confusing in providing that both types of marks "when registered . . . shall be entitled to the protection provided in this chapter in the case of trade-marks, except when used so as to represent falsely that the owner or a user thereof makes or sells the goods or performs the services on or in connection with which such mark is used." Since the exception was obviously intended to apply only to certification marks, we propose adding immediately after "except" the phrase "in the case of certification marks."

5. Proposed Section 14(c)

We propose amending Section 14(c) by deleting "an article or substance" and substituting therefor "the goods or services, or a portion thereof, for which it was registered." Section 14(c) now provides that a cancellation proceeding may be brought "at any time if the registered mark becomes the common descriptive name of an article or substance." The current language of the statute is not technically correct, because the registration should be canceled for genericness only if the registered mark is generic for the specific goods in the registration. We also propose adding a sentence at the end of subsection (c): "If the registered mark becomes the generic name[128] for less than all of the goods or services in the registration, the registration may be cancelled only in part." It should be canceled in its totality only if the mark is generic for all such goods or services. Section 18 should be clarified to make it consistent with Section 37 in this regard.[129] We include proposed language of Section 18 as shown below.

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[128] The Commission recommends that "generic name" be substituted for "common descriptive name" in Sections 14(c) and 15(4). See supra VII. F. 2. i., Common Descriptive Name.

[129] See Dresser Industries, Inc. v. Heraeus Engelhard Vacuum, Inc., 267 F Supp 963, 975, 152 USPQ 743, 753 (WD Pa 1967), affd 395 F2d 457, 158 USPQ 65 (CA 3 1968), cert denied 393 US 934, 159 USPQ 799 (1968).

There is nothing in Section 14(c) that permits the filing of a cancellation petition if a registered service mark becomes the generic name of the service.[130] The Commission's recommendation would permit the filing of a cancellation petition at any time if the registered mark becomes the generic name of the goods or services, and makes clear that this includes the goods or services, or any portion thereof, for which the mark was registered.

6. Proposed Section 18

Current law puts the Board in a straightjacket, bound by the goods and services descriptions in the relevant applications and registrations. For example, it must assume that "men's shirts" covers all types of shirts sold through all conceivable trade channels, even though they may be made of heavy duty wool and sold only in certain regions in mining company outlets as protective clothing for coal miners.[131] Not surprisingly, the Board often decides the likelihood of confusion issue on hypothetical, not real world, grounds.

The Commission believes that perpetuating this artificial environment is undesirable. Actual product and trade channel differences are highly relevant and often determinative in court proceedings. The Board should be able to consider them as well, and to modify a description if it would avoid likelihood of confusion. The Board could thus delete "men's shirts" and substitute "protective woolen shirts for coal miners," while deciding that confusion is unlikely with respect to a similar mark used on tee shirts sold at rock concerts.

We also believe the Board should have statutory authority to determine trademark ownership rights where they are at variance with the register. For example, in an inter partes case the Board should be able to find that a cancellation petitioner is the true owner of the registration, such as by the imposition of a constructive trust, and to correct the register accordingly. At present it is necessary for the petitioner to file a court action to obtain this relief. We therefore propose adding "or rectify with respect to the register" to Section 18.

The Commission thus proposes the following amendment of Section 18:

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[130] See Eastern Air Lines, Inc. v. New York Air Lines, Inc., 559 F Supp 1270, 218 USPQ 71 (SDNY 1983) ("air-shuttle" generic).

[131] See Daniel L. Skoler, Trademark Identification—Much Ado About Something?, 76 TMR 224, 237-39 (1986).

> In such proceedings the Commissioner may refuse to register the opposed mark, may cancel *the registration, in whole or in part, or modify the application or registration by limiting the identification of the goods or services*, or *otherwise* restrict *or rectify with respect to the register* the registration of a registered mark, or may refuse to register any or all of several interfering marks, or may register the mark or marks for the person or persons entitled thereto, as the rights of the parties under this chapter may be established in the proceedings; provided, that in the case of the registration of any mark based on concurrent use, the Commissioner shall determine and fix the conditions and limitations provided for in subsection (d) of section 2 of this chapter.

7. Proposed Section 21(b)(3)

We propose amending Section 21(b)(3) by deleting the bracketed portion and inserting the italicized portion in the first sentence as set forth below.

> Section 21(b)(3): In all cases where there is no adverse party, a copy of the complaint shall be served on the Commissioner[;] and, *unless otherwise directed by the court,* all the expenses of the proceedings shall be paid by the party bringing them, whether the final decision is in his favor or not.

Section 21(b)(3) presently provides that in the case of ex parte appeals to the court, all expenses of the proceedings shall be paid by the party bringing the appeal, even if that party prevails. This leaves the possibility for abuse by the PTO in incurring expenses in connection with appellate proceedings, since all expenses would have to be paid by the appellant. For example, the Office could decide to conduct expensive surveys to determine whether confusion is likely or whether a term is merely descriptive or generic. The Commission's proposal gives discretion to the court to refrain from charging all expenses to the appellant. Not only will this permit the court to make an appropriate allotment of expenses, it also will cause the PTO to consider seriously the need for incurring certain expenses.

8. Proposed Section 45

The trademark affixation requirement taxes the ingenuity of trademark lawyers when they confront bulk shipments of grain, oil, chemicals, or the like, in railroad cars, ships, aircraft, or vehicles. Often they devise some contrived although technically correct solution such as taping a paper label to a tank car. In order to accommodate this situation, we propose the following italicized modification to the Section 45 "use in commerce" explanation:

> . For the purposes of this chapter a mark shall be deemed to be used in commerce (a) on goods when it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, *or if the nature of the goods makes such placement impracticable then on documents associated with the goods or their sale,* and the goods are sold or transported in commerce . . .

Examples of such associated documents would be title or shipping documents, invoices, bills of sale, instructional materials, and sales brochures.

L. Dilution

1. Introduction

For many years USTA encouraged the states to adopt dilution laws. In 1964 the USTA Board of Directors added a dilution provision to the Model State Trademark Bill, which it had previously prepared for the National Association of Secretaries of State. The addition strongly influenced an increasing number of states to adopt dilution laws. At last count there were twenty-three, most of which patterned their statutes after the Model Bill:

> Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark registered under this Act, or a mark valid at common law, or a trade name valid at common law, shall be a ground for injunctive relief notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services.[132]

Over the last forty years dilution protection has been fitful. The courts have awarded injunctive relief solely on dilution grounds, absent likely confusion, in just a handful of cases.[133] And the courts have frequently been influenced by reputational factors, e.g., tarnishment of good will, which are unrelated to the classical Schechter concept of dilution.[134] The decisions have been inconsistent, the reasoning often illogical. In our view, the current state of protection from dilution, and the number of states without dilution laws, create a trademark protection vacuum in the United States. We believe that a limited category of trademarks, those which are truly famous and registered, are deserving of national protection from dilution. Famous marks are most likely to be harmed by reduced distinctiveness. They are enormously valuable but fragile assets, susceptible to irreversible injury from promiscuous use. Although they are occasionally protected on likelihood of confusion grounds, we are convinced they deserve dilution protection which is both effective and predictable. We therefore urge the adoption of a highly selective federal dilution statute, augmenting but not preempting state dilution laws, extending protection to famous marks registered on the principal register.[135] We envision the courts adopting a more enthusiastic view of our proposed statute than they have of the state dilution laws.

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[132] The following states have adopted the Model Bill: Alabama, Arkansas, California, Connecticut, Delaware, Florida, Georgia, Idaho, Illinois, Iowa, Louisiana, Maine, Massachusetts, Missouri, Montana, Nebraska, New Hampshire, New Mexico, New York, Oregon, Pennsylvania, Rhode Island and Tennessee.

The statutes are generally identical, except in Florida, Georgia and Illinois, where they also prohibit the dilution of "labels and forms of advertisement."

Actually, dilution laws go back to the time of the Lanham Act. In 1947 Massachusetts became the first state to adopt such a statute, twenty years after the seminal article by Frank Schechter lamenting "the gradual whittling away or dispersion of the identity and hold upon the public mind of [a] mark or name by its use upon noncompeting goods." Frank I. Schechter, The Rational Basis of Trademark Protection, 40 Harvard Law Review 813 (1927); 22 TM Bull 139 (1927), reprinted in 60 TMR 334 (1970).

The Commission's position flows from the Frankfurter observation in Mishawaka that: "The protection of trade-marks is the law's recognition of the psychological function of symbols."[136] A well-known trademark is a powerful advertising tool and source identification. It can fasten a lasting psychological grip on the public consciousness, generating consumer loyalty and good will. Once established, this commercial magnetism builds and retains markets and fosters competitive vigor. The value of well-known brand names is incalculable; they can bring an immense premium in the price of a corporate acquisition. The unseen but dynamic pull of a famous mark, the essence of many a successful business, should be accorded maximum legal protection.

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[133] See, eg, Hyatt Corp. v. Hyatt Legal Services, 736 F2d 1153, 222 USPQ 669 (CA 7 1984); Instrumentalist Co. v. Marine Corps League, 509 F Supp 323, 340, 210 USPQ 841 (ND Ill 1981), supplemental opinion 212 USPQ 555, 558-59 (ND Ill 1981), affd 694 F2d 145, 216 USPQ 951 (CA 7 1982).

[134] See, eg, Community Federal Savings & Loan Assn. v. Orondorff, 678 F2d 1034, 1035, 215 USPQ 26, 27 (CA 11 1982); Pillsbury Co. v. Milky Way Productions, Inc., 215 USPQ 124, 135 (ND Ga 1981); General Electric Co. v. Alumpa Coal Co., 205 USPQ 1036, 1036-37 (D Mass 1979). The Commission believes that trademark tarnishment and disparagement are a separate form of legal wrong, and recommends amending Section 43(a) to deal with them. See supra VII. G. 5., Trademark Disparagement and Tarnishment.

[135] See Park 'N Fly, Inc. v. Dollar Park and Fly, Inc., supra note 56 at 193, 105 S Ct 658, 83 L Ed2d 582, 224 USPQ at 329, 75 TMR at 138: "Because trademarks desirably promote competition and the maintenance of product quality, Congress determined that 'a sound public policy requires that trademarks should receive nationally the greatest protection that can be given them.'"

[136] Mishawaka Rubber & Woolen Company v. S.S. Kresge Company, 316 US 203, 205, 62 S Ct 1022, 86 L Ed 1381, 53 USPQ 323, 324-25 (1942).

We propose adding a narrowly drawn dilution section to the Lanham Act, protecting only registered marks which have become famous throughout a substantial part of the United States. Our proposal is consistent with national trademark policy, and carries with it no apparent social or economic detriment.

2. Background

Commission Senior Advisor Beverly W. Pattishall has long championed more effective enforcement of the dilution laws.[137] He maintains that dilution protection is justified by the law of trespass, a form of defense against a legal wrong which is damaging to an incorporeal property right. His view is aligned with Schechter's, i.e., that the extraordinarily valuable "commercial magnetism"[138] inherent in distinctive trademarks must be protected from commercial incursion. Without protection against dilution, valuable rights can only be eroded and, ultimately, lost.

We concur in the need for greater protection from dilution for famous registered marks. We also believe that several positive decisions on dilution laws in recent years make the adoption of a federal law timely. A decade ago the climate would not have been as conducive to this change.

The idea of a federal dilution statute recently gained ground as a result of a development from an unexpected source: the United States Supreme Court. The Court held that, under the Amateur Sports Act of 1978,[139] the United States Olympic Committee had exclusive rights in the word OLYMPIC without regard to whether use of the word was likely to cause confusion. The Court stated that Congress "could determine that unauthorized uses, even if not confusing, nevertheless may harm the USOC by lessening the distinctiveness and thus the commercial value of the marks." For support it quoted Schechter.[140] In relying on orthodox dilution doctrine, the Court recognized the desirability of dilution protection where the mark in question had attained commercial magnetism through decades of use.

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[137] Beverly W. Pattishall: Dawning Acceptance of the Dilution Rationale for Trademark-Trade Identity Protection, 74 TMR 289 (1984); The Dilution Rationale for Trade-Mark Identity Protection, Its Progress and Prospects, 71 Northwestern University Law Review 618 (1977), reprinted in 67 TMR 607 (1977); The U.S.A. Courts and the Prevention of Unfair Competition, 53 TMR 599, 620 and 930 (1963); and The Case for Anti-Dilution Trademark Statutes, 43 TMR 887 (1953). For an opposing viewpoint by a distinguished lawyer and professor, see Milton W. Handler, Are the State Antidilution Laws Compatible With the National Protection of Trademarks?, 75 TMR 269 (1985).

[138] Mishawaka Rubber & Woolen Company v. S.S. Kresge Company, supra note 136 at 205, 62 S Ct 1022, 86 L Ed 1381, 53 USPQ at 324-25.

[139] 36 USC §§371-396.

[140] San Francisco Arts & Athletics, Inc. v. United States Olympic Committee, __ US __, 55 USLW 5061, 5065, 3 USPQ2d 1145, 1153, 77 TMR 350 (1987).

We do not share the concerns that dilution protection leads to monopolization of language. Third parties have an infinite number of trademark choices available. Confining dilution protection to famous trademarks will have little or no impact on other businesses. All new entrants need do is compete fairly using marks which cause neither likelihood of confusion nor dilution. This will not be a handicap.

The Commission considered whether the availability of federal dilution protection to only "famous" registered marks violates the due process clause of the Fifth Amendment. We see no serious problem. The Supreme Court has consistently held that "a legislative classification must be sustained if the classification itself is rationally related to a legitimate governmental interest."[141]

Limiting the availability of dilution protection to those registered marks which are "famous" bears a rational relationship to several legitimate trademark protection interests. The proposed section (1) protects only those registered marks which are most likely to be adversely affected by dilution, (2) makes the availability of dilution protection nationally uniform and predictable, (3) merely adds another attribute of federal registration to existing attributes, such as constructive notice and incontestability, and (4) creates a desirable and further incentive to register trademarks used in commerce.

3. Possible Preemption

The Commission considered at length a recommendation which would have preempted the state dilution laws to the extent constitutionally permissible, but ultimately rejected it. Some felt that national trademark law uniformity and reducing the risk of local challenge to expansion under a new mark would have justified it. In the end the Commission saw no compelling policy justifications for extinguishing state law dilution rights. State trademark law and policy should be honored, so long as it does not conflict with federal. If it does, as one court has found with respect to the Iowa dilution statute, the courts can determine that federal law preempts.[142] They can also determine that a nationwide injunction under a state dilution law would constitute a burden on commerce.[143]

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[141] United States Dept. of Agriculture v. Moreno, 413 US 528, 533, 93 S Ct 2821, 37 L Ed2d 782 (1973).

[142] United States Jaycees v. Commodities Magazine Inc., 2 USPQ2d 1119, 1126 (ND Ia 1987).

The Commission does, however, recommend a provision making a federal registration a complete defense to an action under a state dilution law. This approach would accord registrants additional security in expansion situations while not unduly restricting the operation of state law. It would also effectuate Congressional intent under Section 45 "to protect registered marks used in . . . commerce from interference by State, or territorial legislation."

4. A Federal Dilution Act

The Commission has drafted and proposes a new Section 43(c) with accompanying definition.[144] We reiterate that our proposed statutory language is not intended as a final Commission recommendation. Its sole purpose is to provide an example which incorporates one or more principles we espouse, and to stimulate discussion. With this caveat, we set forth the following language, accompanied by explanatory comments.

a. Section 43(c)—Protection of Famous Registered Marks From Dilution

> (1) The registrant of a famous mark registered under the Acts of 1881 or 1905 or on the principal register shall be entitled, subject to the principles of equity, to an injunction against another's use in commerce of a mark, commencing after the registrant's mark becomes famous, which causes dilution of the distinctive quality of the registrant's mark, and to obtain such other relief as is provided in this subsection. In determining whether a mark is distinctive and famous, a court may consider factors such as, but not limited to:
>
> > (a) the degree of inherent or acquired distinctiveness of the mark;
> >
> > (b) the duration and extent of use of the mark in connection with the goods and services;
> >
> > (c) the duration and extent of advertising and publicity of the mark;
> >
> > (d) the geographical extent of the trading area in which the mark is used;

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[143] Hyatt Corp. v. Hyatt Legal Services, 610 F Supp 381, 382-83 (ND Ill 1985).

[144] Another version appears in Cyd B. Wolf, Trademark Dilution: The Need for Reform, 74 TMR 311, 322 (1984).

(e) the channels of trade for the goods or services with which the registrant's mark is used;

(f) the degree of recognition of the registrant's mark in its and in the other's trading areas and channels of trade; and

(g) the nature and extent of use of the same or similar mark by third parties.

(2) Remedies. The registrant shall be entitled only to injunctive relief in an action brought under this subsection, unless the subsequent user willfully intended to trade on the registrant's reputation or to cause dilution of the registrant's mark. If such willful intent is proven, the registrant shall also be entitled to the remedies set forth in Sections 35(a) and 36, subject to the discretion of the court and the principles of equity.

(3) Federal Registration Defense in Dilution Actions. The ownership of a valid registration under the Acts of 1881 or 1905 or on the principal register shall be a complete bar to an action brought by another person, under the common law or statute of a state, seeking to prevent dilution of the distinctiveness of a mark, label, or form of advertisement.

Section 45. Definitions

Dilution.

The term "dilution" means the lessening of the capacity of registrant's mark to identify and distinguish goods or services, regardless of the presence or absence of (a) competition between the parties, or (b) likelihood of confusion, mistake or deception.

* * * * *

b. In General

The Commission believes that, to be entitled to relief under new Section 43(c), a famous mark should be in substantially exclusive use and be well known throughout a substantial portion of the United States.

The requirement of trademark fame reflects the view of the Commission that dilution protection should be confined to marks which are both distinctive, as established by federal registration at a minimum, and famous, as established by separate evidence.

The same type of evidence which is traditionally used to prove distinctiveness can be used to prove fame. Although the registrant is not required to prove distinctiveness apart from the import of its registration, any additional evidence of distinctiveness will ordinarily be entitled to substantial weight.

We expect the courts to define "famous mark" on a case-by-case basis. The enumerated factors are designed to guide the court. No one factor is controlling, and a court may consider factors which are not listed.

c. Fame Factors

The first factor, inherent or acquired distinctiveness, makes it clear that enhanced distinctiveness and fame can be acquired regardless of the original nature of the mark. A mark cannot be inherently famous but it can be inherently distinctive. On the other hand, it is unlikely that a mark could be famous and not be distinctive.[145] Both factors have a bearing on the scope of protection from dilution.

The duration and extent of use and advertising of the mark are also relevant to both distinctiveness and fame. Generally a famous mark will have been in use for some time, but there is nothing to prevent a mark from becoming famous overnight through widespread publicity and advertising.

The geographical fame of the mark must extend throughout a substantial portion of the United States. The exact parameters of how much is substantial should be left to a case-by-case analysis, depending on the type of goods or services and their channels of distribution.

By considering the degree to which the registered mark is famous to purchasers in both the registrant's and later user's lines of commerce, a court may be more likely to grant protection where there is a reasonable probability that the later user adopted its mark with knowledge of the fame of the registered mark. Where the products of both parties are sold to the general public, the factor is probably present even though the products are so unrelated that confusion is unlikely. Thus, dilution could occur if the same mark was used on running shoes and chewing gum. However, it may not occur if the mark were used on microbiological chemicals sold to research laboratories, on the one hand, and fish oil sold only to the food processing trade, on the other.

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[145] Some courts equate fame with distinctiveness. In Riverhead Paints Plus Inc. v. PPG Industries, __ F Supp __, 2 USPQ2d 2035, 2038-39 (EDNY 1987), the court mentioned KODAK, XEROX, EXXON and COKE as examples of distinctive marks, and DUPONT for shoes, BUICK for aspirin, SCHLITZ for varnish, KODAK for pianos, and BULOVA for gowns as examples of diluting marks. It held that the plaintiff's mark, a fanciful P logo used on paint sold through two retail stores, did not have "such distinctive quality" and thus was not entitled to dilution protection.

Dilution is possible with respect to one purchaser universe but not another. For example, if a mark is famous at the industrial level but not at the consumer level, protection may be appropriate at the industrial level but not at the consumer level.

The court may fairly infer that a mark is or should be well known to a substantial portion of the relevant purchasers of the goods or services, based on the available evidence. We did not employ the terms "majority" or "substantial majority" because we believed they would impair flexibility. We also did not employ the term "appreciable number" from the many decisions holding that likelihood of confusion must be established with respect to an appreciable number of ordinary prudent purchasers.[146] Under these decisions the threshold is quite low. We believe that a higher standard should be employed to gauge the fame of a trademark eligible for this extraordinary remedy.

The registrant need not actually prove that the requisite number of purchasers throughout a substantial portion of the United States have knowledge of the registrant's mark, where such knowledge can be fairly inferred from the facts of record. The more channels of trade in which the registrant's goods or services move, the broader should be the scope of protection from dilution afforded the mark.

Third party uses of the same or similar marks are relevant in determining the fame and distinctiveness of the mark, since the mark must be in substantially exclusive use. If a mark is in widespread use, it may not be famous for the goods or services of one business. On the other hand, isolated use of the mark by a third party in a remote geographic area, even for the same or similar goods or services, should not defeat protection from dilution.

The provision differentiates dilution from infringement by applying regardless of the presence or absence of competition between the parties or of the likelihood of confusion, mistake, or deception. This language is borrowed from the Model Bill.

The basic remedy afforded by the provision is an injunction. However, if the registrant can prove that the later user willfully intended to trade on the registrant's reputation in the mark for the purpose of causing the dilution of the owner's mark, the registrant would potentially be entitled to the remedies provided in

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[146] See, eg, Maternally Yours, Inc. v. Your Maternity Shop, Inc., 234 F2d 538, 542, 110 USPQ 462, 465 (CA 2 1956).

Section 35(a) (damages, profits, and attorneys' fees in exceptional cases) and Section 36 (destruction of infringing labels, plates, etc.).

We considered whether a registrant entitled to dilution relief by way of injunction would be able to prove the requisite damage under Sections 13 and 14 to sustain an opposition or cancellation proceeding. On the one hand, it would be illogical to provide for injunctive relief but not the ability to prevent or cancel a diluting registration. On the other, extending the Board's jurisdiction to an entirely new category of claims with attendant administrative problems, expense and uncertainty, should not be undertaken lightly. On balance, we believe the courts should make the determination of "damage" here, based on all of the factors, as they have in the past.

A registrant need not elect between alleging infringement under Section 32 and alleging dilution under Section 43(c). Both could be alleged alternatively in the same complaint. If the court found no likelihood of confusion, because of the differences in the goods or the absence of competition, it could still find dilution.

If the later user adopts its mark before the registrant's mark becomes famous, the court should not enjoin the later user's use on dilution grounds. This result would correspond to the present rule on secondary meaning marks.[147]

We do not intend the dilution provision to inhibit the use of the registrant's mark by a competitor in a comparative or informational manner. It should not be used to discourage otherwise lawful comparative advertising.

d. Federal Registration Defense

Trademark owners require the assurance that once they have obtained federal registration, they are generally free to market their goods or services throughout the United States, subject only to prior rights in a confusingly similar mark. To achieve this result, and to encourage federal registration of marks used in commerce, the provision makes ownership of a federal registration a complete defense to a dilution action under a state statute or common law.

VIII. CONCLUSION

The Commission is available to discuss or amplify its recommendations, and to furnish background information from its "legislative history."

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[147] See, eg, Scott Paper Co. v. Scott's Liquid Gold, Inc., 589 F2d 1225, 1231, 200 USPQ 421, 427 (CA 3 1978).

If the Board decides to initiate steps leading to proposed legislation, we suggest the creation of a Legislative Task Force. The Task Force could work directly with the Board or it could work independently. A minimum of several months would be required for the drafting stage.

The Commission members are grateful for the opportunity to have served on the Commission during the past two years. The work was enlightening and challenging, the discussions spirited, and the meetings never dull. We will long remember the camaraderie and the sense of dedication.

Dolores K. Hanna, Chairperson
John C. McDonald, Vice Chairperson
Jerome Gilson, Reporter
Arthur J. Greenbaum, Associate Reporter

August 21, 1987

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EXECUTIVE OFFICES

April 1, 1988

The Honorable Dennis DeConcini, Chairman
Subcommittee on Patents, Copyrights and Trademarks
Room SH-329 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator DeConcini:

Thank you for the opportunity to present testimony in support of S. 1883, the Trademark Law Revision Act. Responses to the questions for which you, on behalf of yourself and Senator Hatch, requested USTA to prepare written answers for the record, are enclosed.

In light of questions at the hearing which focused on the constitutionality of the intent-to-use system proposed by S. 1883, I have taken the liberty of submitting as well an analysis of this issue prepared by Professor Robert B. McKay of the New York University School of Law. As he strongly concludes that the proposal would withstand constitutional attack, particularly because it requires use as a prerequisite to registration and the perfection of rights, I believe his paper would be a worthy inclusion in the hearing record.

S. 1883 is clearly the most important piece of trademark legislation to be considered in many years and USTA looks forward to working with you and others in Congress to secure its early enactment into law.

Very truly yours,

Robert J. Eck

Robert J. Eck
President

RJE/cag
Enclosures

cc: The Honorable Orrin G. Hatch
Members, Subcommittee on Patents, Copyrights and Trademarks

QUESTIONS OF SENATOR HATCH

1. IN HIS TESTIMONY, MR. MICHAEL GROW NOTES THAT "S. 1883 WOULD GRANT A RIGHT OF PRIORITY AS OF THE FILING DATE OF THE APPLICATION BEFORE ANY GOOD WILL HAS BEEN CREATED THROUGH USE. IN VIEW OF THIS FACT, THERE REMAINS AN UNANSWERED QUESTION IN MY MIND AS TO WHETHER SUCH AS LAW WOULD WITHSTAND ATTACK BY A PERSON WHO USED A CONFUSINGLY SIMILAR MARK IN GOOD FAITH SUBSEQUENT TO AN INTENT-TO-USE APPLICANT'S FILING DATE BUT PRIOR TO THE LATTER'S FIRST USE IN COMMERCE." TO WHAT DEGREE WOULD S. 1883, IF ENACTED, BE VULNERABLE AS MR. GROW DESCRIBES? CAN YOU THINK OF ANY SITUATION WHERE THIS VULNERABILITY WOULD BE GREATER OR LESS? WHAT WOULD THAT SITUATION BE?

USTA strongly believes that the intent-to-use system proposed by S. 1883 would withstand such an attack. Its reasons are set forth in the Report of the Trademark Review Commission's discussions of the constitutionality of the proposal (77 TMR 406-407), the concept of constructive use (77 TMR 397-398) and the balancing of equities under the proposal (77 TMR 404-405).

In addition the concern voiced by Mr. Grow does not represent a new issue to trademark law. It is present under existing law because foreigners essentially receive constructive use priority now when they apply for registration under section 44.

2. IN THE ABSENCE OF A USE REQUIREMENT FOR REGISTRATION OF A TRADEMARK, AN INDIVIDUAL MAY BE ABLE TO LEARN OF THE CREATION OF A NEW PRODUCT AND IMMEDIATELY REGISTER MARKS LIKELY TO BE USED ON THOSE NEW PRODUCTS. SIMILARLY AN INDIVIDUAL MAY LEARN OF THE MARKS THAT ANOTHER COMPANY PLANS TO REGISTER AND RUSH TO REGISTER THOSE MARKS AHEAD OF THE CREATORS. HOW WILL THE REQUIREMENT THAT AN INDIVIDUAL MAKE A BONA FIDE INTENT REGISTRATION ACT TO PREVENT SUCH AN INDIVIDUAL FROM EXTRACTING MONEY FROM THE CREATOR OF THE NEW PRODUCT OR MARK? WHAT KIND OF EVIDENCE WILL SUFFICE TO SHOW LACK OF BONA FIDE INTENT IN THIS KIND OF ISNTANCE? HAS THE USE REQUIREMENT DETERRED THIS KIND OF PIRACY IN THE PAST?

S. 1883's provision that a mark will not be registered until commercial use has been initiated will prevent this from occurring. In addition, USTA does not anticipate that this problem will occur in the application process and, in fact, submits that it is more likely to arise under existing law because the time between when a mark or product is first conceived and when an application to register can be filed is greater owing to the pre-filing use requirement.

Nonetheless, S. 1883 incorporates an important safeguard against the potential for trafficking in marks. It amends section 10 of the Lanham Act to prohibit the transfer (assignment) of a mark prior to its use in commerce and the issuance of a registration unless the mark is assigned with the business to which use of the mark is connected. Moreover, the blackmailer's contingent constructive use priority would not vest until it made commercial use. If such piracy were to occur, however, it would not be difficult to prove that the blackmailer intended to traffic in the mark rather than to use it commercially.

3. UNDER S. 1883, CONSTRUCTIVE USE IS ESTABLISHED FROM THE TIME THE NEW MARK IS FILED. UNFORTUNATELY PTO OFTEN DOES NOT MAKE FILINGS KNOWN UNTIL SEVERAL WEEKS AFTER THEY HAVE BEEN FILED. THEREFORE, A GOOD FAITH SEARCHER COULD FAIL TO DISCOVER A RECENTLY FILED MARK AND INVEST SUBSTANTIAL AMOUNTS IN A NEW BUSINESS BASED ON A MARK ASSUMED TO BE VALID. WOULD IT NOT BE MORE EQUITABLE TO MAKE THE CONSTRUCTIVE USE BEGIN ON THE DATE THE FILING BECOMES PUBLICLY KNOWN?

The situation suggested in this question is more likely to occur under present law with its pre-filing use requirement that serves to defer filings. It also exists because of the priority date accorded foreign applicants under section 44 of the Lanham Act.

The purpose of the intent-to-use system is to reduce the likelihood that the suggested situation will arise. Applications would be filed before investments in a new business are made. Applicants then need only conduct a search shortly after filing to discover any conflicting applications filed before their own.

To make constructive use begin on the date when filing becomes "publicly known" is to pick an indefinite date with a time lag that may vary from month to month depending on the backlog at the Patent and Trademark Office. This is the antithesis of how a constructive use date should be set. USTA does not believe constructive use should be delayed because of inefficiencies at the Patent and Trademark Office.

4. AS MENTIONED IN THE HEARING, MOST SMALL BUSINESSES DO NOT HAVE TRADEMARK COUNSEL WHEN THEY BEGIN MARKETING THEIR PRODUCTS OR SERVICES. ACCORDINGLY, THESE SMALL BUSINESSES ARE NOT LIKELY TO BE AWARE OF MARKS FILED WITH PTO BUT NOT IN ACTUAL USE. WHAT PROTECTIONS DOES S. 1883 AND CURRENT TRADEMARK LAW CONTAIN TO ENSURE THAT THE GOOD WILL THESE SMALL BUSINESSES HAVE ESTABLISHED IS NOT LOST TO SOME OTHER BUSINESS WHICH FILED AN INTENT REGISTRATION THREE YEARS EARLIER BUT ONLY RECENTLY BEGAN TO PRODUCE GOODS?

The problem posed by this question is equally prevalent today. Those who do not search the PTO's records may find that they have adopted a mark for which another has already established rights. Moreover, the commercially-transparent practice of token use is indiscernable in the marketplace and is likely to give rise to the same situations.

Constructive use determines the narrow issue of priority, which is not the only issue considered by the courts. Among the factors that will support the defense of an innocent small company are (i) the courts have balanced the equities and have occasionally refused to treat priority on a simple calendar basis and (ii) if a registrant (or intent-to-use applicant) knowingly allows the small company to build up good will without objection, the registrant may be barred by laches from injunctive relief.

If the Lanham Act is to accomplish its dual goal of reducing the likelihood of consumer confusion and protecting the investment of trademark owners, all persons must be encouraged to both register their marks and search the trademark records. As S. 1883 enhances the benefits of registration and emphasizes the importance of searching, the outlined problem should become less not more prevalent.

5. WOULD REDUCTION OF THE FOUR YEAR PERIOD DURING WHICH AN APPLICANT CAN EXTEND AN INTENT REGISTRATION REDUCE THE POTENTIAL FOR THE KIND OF DANGER DESCRIBED IN THE ABOVE QUESTION?

Not appreciably. However, other provisions of S. 1883 will. Among them, the provision that registrations cannot be obtained or maintained on the basis of token use.

6. WHAT FACTORS WILL MAKE AN INTENT REGISTRATION "BONA FIDE?" ARE THERE ANY DIFFICULTIES WITH LIMITING THE NUMBER OF INTENT REGISTRATIONS WHICH ANY SINGLE REGISTRANT MAY HAVE PENDING AT ANY GIVEN TIME, IF THAT CAP IS REASONABLY LINKED TO THE NUMBER OF NEW PRODUCTS A REGISTRANT MAY RELEASE IN A GIVEN PERIOD OF TIME?

Determining whether an intention to use a mark is bona fide will be subject to a number of considerations and variables that cannot be outlined with specificity. It is an issue that will be self-regulating because competitors will not stand by while others abuse the system. In addition, S. 1883 and the current provisions of the Lanham Act, particularly section 38, provide sufficient safeguards.

Placing a strict limit on the number of applications that may be filed or linking the number of filings to an applicant's historical new product entries is therefore unnecessary and inappropriate. Both proposals will be difficult to administer and monitor, and will be susceptible to error. Potential new product entries may increase or decrease significantly from period to period depending upon a company's current and prospective sales, research and development results, its competition, and the economy.

7. SECTION 43(a) OF THE LANHAM IS THE MAJOR BASIS IN FEDERAL LAW FOR DECEPTIVE ADVERTISING LITIGATION. S. 1883 WOULD EXPAND THAT SECTION TO INCLUDE "OMISSIONS OF MATERIAL INFORMATION." THE FEDERAL TRADE COMMISSION, WHICH HAS SPECIAL EXPERTISE IN ADVERTISING REGULATION, HAS NOT FOUND IT EASY TO DETERMINE WHAT IS A MATERIAL OMISSION. WHAT STANDARDS WILL COURTS USE TO DETERMINE WHAT OMISSIONS ARE MATERIAL? HOW MUCH LITIGATION WOULD BE EXPECTED UNDER THIS NEW SECTION?

In the context of a false advertising campaign, the courts generally find omissions of material information to be actionable where they constitute misrepresentations, where disclosure would affect purchasing decisions, and where the advertiser has acted with an intent to deceive.

For example, a record company selling currently produced records with songs recorded 15 years ago could not imply they were recently recorded, it would need to clearly state on the product or in advertising when the recordings were made. This information is material, and without it there would be a misrepresentation. Similarly, if spark plugs were advertised without an indication that they had been reconditioned, this would be the omission of material information constituting a misrepresentation as to the quality of the spark plugs. The change does not contemplate providing a greater amount of information than before, or information which is not material.

The common law has long recognized that a truthful representation can constitute a fraudulent misrepresentation where the maker knows that the statement is misleading because facts are omitted. For example, the Restatement of Torts II, Section 529, states: "A representation stating the truth so far as it goes but which the maker knows or believes to be materially misleading because of of failure to state additional or qualifying matter is a fraudulent misrepresentation." Comment A follows: "A statement containing a half-truth may be as misleading as a statement wholly false."

With respect to case law, there are two lines of decisions, but the majority have held that a material omission is actionable under section 43(a). For example:

(i) Amana Refrigeration, Inc. v. Consumers Union of United States, Inc., 431 F.Supp. 324, 325 (N.D. Iowa 1977) ("The false representations covered by the Lanham Act include misleading statements, partially correct statements and failure to disclose material facts (emphasis added).");

(ii) U-Haul, Inc. v. Jartran, Inc., 522 F.Supp. 1238, 1247 (D. Ariz. 1981), aff'd., 681 F.2d 1159 (9th Cir. 1982) ("... a statement actionable under the Lanham Act may be an affirmatively misleading statement, a partially incorrect statement or a statement which is untrue as a result of a failure to disclose a material fact (emphasis added).");

(iii) Skil Corp. v. Rockwell International Corp., 375 F.Supp. 777, 783 Note 11 (N.D. Ill. 1974) (in which the "failure to disclose material facts" coverage of section 43(a) was specifically mentioned);

(iv) Bohsei Enterprises Co., U.S.A. v. Porteous Fastener Co., 441 F.Supp. 162, 164 (C.D. Cal. 1977) (which held that omitting to mention that repackaged fasteners were of foreign origin was a violation of section 43(a); "the law of false representation must necessarily include the omission of the material of fact of origin that affirmatively says in the context in which fasteners are sold 'I am a product of the United States'.")

(v) CBS, Inc. v. Springboard International Records, 429 F.Supp. 563 (S.D. N.Y. 1976); and

(vi) Frisch's Restaurant, Inc. v. Elby's Big Boy of Steubenville, 670 F.2d, 642, 650 (6th Cir. 1982).

To USTA's knowledge, only two cases expressly hold that there is no "omission" coverage in section 43(a): Universal City Studio Inc. v. Sony Corp. of America, 429 F.Supp. 407 (C.D. Calif. 1977) and International Paint Company, Inc. v. Grow Group, Inc., 648 F.Supp. 729, 730-31 (S.D. N.Y. 1986). See Ragold, Inc. v. Ferrero, USA, Inc., 506 F.Supp. 117, 128 (N.D. Ill. 1980).

Thus, while there may be a basis for some disagreement as to whether the language of section 43(a) presently applies to "omissions of material omission", USTA believes that the law already provides competitors with a private cause of action to protect consumers from deception when an advertisement's omission of material information misleads them into believing the product is something other than what it is advertised to be.

USTA would not expect any increase in the volume of false advertising cases if this phrase were added because the language should not be interpreted as expanding existing common or case law.

8. THIS NEW "MATERIAL OMISSION" STANDARD WOULD APPARENTLY CREATE PROBLEMS FOR ADVERTISERS WHO ALREADY MUST CUT THE INFORMATION CONVEYED TO FIT A 30-SECOND T.V. TIME SLOT. HOW WOULD THIS CHANGE BE ACCOMMODATED IN THE ADVERTISING MARKET?

USTA has heard the concern of the advertising industry that addition of the phrase "omissions of material information" in section 43(a) might be construed as expanding existing false advertising law. However, as the Trademark Review Commission did not intend this result in making the proposal, USTA would recommend that legislative history clearly reflect that the language is intended to only to codify existing law, as discussed above in its answer to Question 7.

For this reason, USTA does not believe that advertisers would need to change their practices if the phrase were added. If an advertiser were advertising a marketable product in a 30-second commercial, there would be no need for it to list all of the ingredients, all of the relevant market research, or any other information, unless two elements existed. First, the omission of information would need to be material to the consumer's purchasing decision, and second, the omission must amount to a misrepresentation.

9. S. 1883 ALSO IMPOSES HEIGHTENED PENALTIES TO VIOLATION OF SECTION 43(a). MOST ADVERTISING CLAIMS, EVEN IF THEY DO CONTAIN SOME OMISSIONS OF INFORMATION IN THE INTEREST OF TIME, ARE GENERALLY NOT THE KIND OF VIOLATION THAT INVOLVES CULPABILITY. WHAT IS THE REASON FOR INCREASING THE PENALTIES FOR ADVERTISING VIOLATIONS AS DEFINED BY S. 1883? WHY, FOR INSTANCE, MULTIPLE DAMAGES?

As fully discussed in the Report of the Trademark Review Commission (77 TMR 430-433), the same remedies would become available under S. 1883 for *all* Section 43(a) violations, not just false advertising. Four decisions of the Courts of Appeal hold that registered trademark infringement remedies (profits, attorneys' fees, and multiple damages) are available in Section 43(a) cases (including false advertising cases) where no federal trademark registration is asserted. Thus, S. 1883 would simply codify the law as expressed by three different circuits in four different opinions. *U-Haul International, Inc. v. Jartran, Inc.*, 793 F.2d 1034, 1041-42 (9th Cir. 1986); *Transgo, Inc. v. Ajac Transmission Parts Corp.*, 768 F.2d 1001 (9th Cir. 1985) *cert denied*, 106 S.Ct 802 (1986); *Rickard v. Auto Publishers, Inc.*, 735 F.2d 450 (11th Cir. 1984); *Metric and Multi-Standard Components Corp. v. Metric's Inc.*, 635 F.2d 710, 715 (8th Cir. 1980). Thus, we would be changing the law if we excluded false advertising from these remedies.

Advertisers are not being singled out for special treatment under the proposed change, and would not incur any greater risk of liability than presently exists. Under the Lanham Act the courts rarely award money damages, especially profits, multiple damages or attorneys fees, unless the conduct of the defendant has been intentional, willful, or malicious. The courts regard multiple damages and profits as a form of punishment, and they award them in an effort to deter others from engaging in particularly egregious conduct. The policies of the Lanham Act, and protection of the public, require this approach.

Reputable companies need not be concerned about liability for multiple damages for false advertising which occurs inadvertently or in good faith. Relief under the Lanham Act is specifically governed by equitable principles, and courts traditionally do not award damages where the infraction is inadvertent. The availability of multiple damages under S. 1883 is intended to reach intentional, willful acts where the advertiser is attempting to deceive the public. We believe that most companies would applaud the availability of multiple damages or profits where an unethical or unscrupulous competitor intentionally deceives the public through false advertising and thereby causes injury.

10. S. 1883 AMENDS SECTION 14(c) TO PROVIDE THAT A REGISTRATION WILL NOT BE CANCELLED IF A MARK BECOMES THE GENERIC NAME OF AN ARTICLE OR SUBSTANCE FOR WHICH THE MARK IS NOT REGISTERED. WHEN HAS THIS OCCURRED? WOULD FAILURE TO CANCEL A REGISTRATION FOR GENERICNESS AFFECT THE ABILITY OF THE PUBLIC OR COMPETITORS TO USE THE GENERIC TERM?

USTA is unaware of any instance when a registration has been canceled because the mark became, as a strict reading of the Lanham Act currently provides, the generic name of an article or substance for which the mark was not registered. Such a situation would be at odds with the entire trademark system and the referenced amendment simply clarifies the language of the Lanham Act to prevent this from occuring.

With respect to the second question, failure to cancel a registration if the registered mark became the generic term for the product or service for which it is registered certainly would affect the ability of the public or competitors to use the generic term because an attribute of registration is that the registered mark is deemed to be prima facie valid and, if incontestable, can be attacked only on limited grounds. It is for this reason that the registration of a mark, even if incontestable, may be canceled if the mark is found to be generic. S. 1883 does not change this important aspect of trademark law.

11. THE DILUTION SECTION WOULD PROVIDE SOME ENHANCED PROTECTIONS FOR "FAMOUS AND DISTINCTIVE MARKS." THEN IN STATING THE FACTORS TO DETERMINE WHETHER A MARK IS "DISTINCTIVE AND FAMOUS" THE BILL LISTS "DEGREE OF INHERENT OR ACQUIRED DISTINCTIVENESS." WHAT IS THE INDEPENDENT MEANING OF DISTINCTIVENESS? HOW WOULD THIS BE ASCERTAINED?

The independent meaning of distinctiveness is that a term's primary meaning, when used with goods or services, is to identify the source or origin of the goods or services. For example, terms which are arbitrary or suggestive are inherently distinctive as trademarks; terms which are surnames, merely descriptive, geographically descriptive, or the like, must acquire distinctiveness before being protected as trademarks.

The issue of distinctiveness is one which the courts have been deciding since the earliest of trademark cases. It is a fact intensive inquiry to determine the significance of a term to the public and there is no reason why this inquiry would change with adoption of the federal dilution provision proposed by S. 1883.

12. ANOTHER FACTOR FOR DETERMINING THE FAME AND DISTINCTIVENESS OF A MARK IS ITS "GEOGRAPHICAL EXTENT." DOES A MARK HAVE TO BE NATIONWIDE TO ENJOY FEDERAL DILUTION PROTECTION? COULD A MARK BE "FAMOUS AND DISTINCTIVE" ENOUGH WITHIN A SINGLE COUNTY OR TOWNSHIP TO GAIN FEDERAL PROTECTION? HOW DOES THE "DEGREE OF RECOGNITION OF THE MARK IN ITS AND IN THE OTHER PERSON'S TRADING AREA" DIFFER FROM "GEOGRAPHICAL EXTENT?"

USTA believes that the geographical fame of a mark should extend throughout a substantial portion of the U.S. in order to qualify for federal protection from dilution. The exact parameters of how much is substantial, however, must be left to case by case analysis and would depend on the types of goods or services and their channels of distribution. The Report of the Trademark Review Commission discusses this issue (77 TMR 375). Thus, although it is entirely possible for marks to be famous and distinctive in a single county or township, they should not be given protection from dilution under federal law. The state antidilution laws will provide relief, if appropriate, in these cases.

Two of the factors which a court may consider in determining if a mark is distinctive and famous are (i) the geographical extent of the trading area in which the mark is used and (ii) the degree of recognition of the mark in its and in the other person's trading areas and channels of trade. These are separate and distinct factors. The geographical extent factor addresses whether the mark is used throughout a substantial portion of the United States. The degree of recognition factor focuses on the extent to which the mark is recognized in the geographical area in which it is used, as well as the degree of recognition in the other party's trading area and channels of trade. Thus, although a registrant could be the owner of a mark used throughout a substantial portion of the U.S. and would thereby meet the "geographical extent of the trading area" factor, a showing that the mark had recognized celebrity in that geographical area and in the other person's trading area and/or channels of trade would still be necessary.

13. WHAT IS THE DURATION OF USE THAT TRIGGERS THE DURATION FACTOR DEFINING FAMOUS OR DISTINCTIVE MARKS? COULD A MARK BE RELATIVELY NEW AND YET FAMOUS?

There is no litmus test for triggering the duration factor to define famous or distinctive marks. A mark can become famous overnight.

14. THESE FACTORS SEEM TO BE EACH RELATIVELY SUBJECTIVE. WHAT AMOUNT OF LITIGATION IS LIKELY TO BE NECESSARY TO FIND AN ACCEPTED MEANING FOR THESE TERMS?

All of the terms used are ones which have accepted meanings under current trademark law. Therefore, the "factors" should not be a source of litigation from a definitional standpoint.

15. IN A RECENT CASE, THE TERM "HYATT" WAS CONSIDERED DISTINCTIVE AND FAMOUS. WOULD THIS HOLDING BE INCORPORATED OR EXCLUDED FROM THE CASE LAW IN FORMING THE CREATION OF THIS NEW FEDERAL PROVISION? IN OTHER WORDS, UNDER THE FEDERAL LAW, WOULD JOEL HYATT LEGAL SERVICES OR OTHER PERSONAL USES OF THE TERM "HYATT" BE ENJOINED?

A specific response to this inquiry cannot be made without a complete knowledge and analysis of the facts that were considered in the court's decision in the case. However, it is probable that the Hyatt case would be excluded from the case law forming the creation of the federal dilution provision for the primary reason that the Illinois dilution statute, which was involved in the Hyatt case, relates to the protection of "distinctive" marks, while the federal statute has a narrower focus which requires not only a showing of distinctiveness, but also, that a mark is famous.

Whether Joel Hyatt Legal Services or other personal uses of the term "Hyatt" would be enjoined under the federal dilution provision would depend upon a fact-intensive analysis, but there is nothing in existing trademark law or in the proposed dilution provision which would prevent one from making a fair use of his or her own name. The problem only arises when a name is used as a mark, and to that extent, there would be little difference between the dilution provision and current law, which prohibits one from using his or her own name as a mark if it conflicts with a previously used mark of another. Illustratively, John Q. Ford, an unknown, cannot begin his own motor company known as Ford Company, and thereafter sell cars under the mark FORD.

16. IN SOME DISCUSSIONS WITH STAFF, THE SUBJECTIVENESS OF THE DILUTION STANDARD HAS BEEN DEFENDED WITH THE NOTION THAT COINED OR FANCIFUL MARKS COULD NOT POSSIBLY HAVE USES AS MARKS OTHER THAN BY THOSE WHO WISH TO "TRADE ON" THE POPULARITY OF A FAMOUS MARK. WHAT WOULD BE THE IMPLICATIONS OF LIMITING THE DILUTION SECTION TO COINED OR FANCIFUL MARKS, LIKE KODAK?

The suggested result would be unfortunate. Many of the most famous marks today are ones which at one time were merely descriptive or suggestive, but which have become distinctive and famous and they, too, should be protected from dilution. As a corollary, just because a mark is coined or fanciful does not mean that it has acquired sufficient fame to deserve protection.

Simply stated, logic dictates that protection from dilution should extend to any mark which has been registered on the Principal Register, thus having a prima facie presumption of distinctiveness, and which, in addition, is famous throughout a substantial portion of the U.S.

17. COULD DILUTION PROVISIONS DEPRIVE AN INDIVIDUAL OF USE OF THEIR FAMILY NAME IN THEIR FAMILY BUSINESS? HOW ABOUT GEOGRAPHIC TERMS?

The law today, as indicated in response to Question 15 above, prevents one from using his or her own name as a mark if it conflicts with a mark previously used by another, provided that the other's mark is distinctive. The same law applies to geographic terms. In other words, the dilution provision should not deprive an individual of the use of his or her name in his family business or to deprive one from making a fair use of a geographical term. Rather, it is intended to prevent a later user from using a name or geographical term as a mark if it dilutes the distinctive quality of a registered mark which another has made famous and distinctive.

18. S. 1883 DEFINES DILUTION AS A "LESSENING OF THE DISTINCTIVE QUALITY OF A FAMOUS MARK...." IS DILUTION LIMITED TO USES OF AN IDENTICAL MARK ON WHOLLY DIFFERENT PRODUCTS OR DOES THE TERM EMBRACE MERE SIMILARITY. HOW MUCH SIMILARITY IS NECESSARY TO TRIGGER DILUTION PROTECTION? UNDER TRADEMARK LAW, THE SIMILARITY PROBLEM IS DEFINED BY THE ADJECTIVE "CONFUSINGLY." WHAT DEFINES THE DEGREE OF SIMILARITY INVOLVED WITH DILUTION PROTECTION? CAN YOU SUGGEST A WAY TO DEAL WITH THIS SIMILARITY PROBLEM?

Dilution is not limited to uses of identical marks for different products or services; it should embrace terms which are substantially similar as well. The degree of similarity necessary to trigger dilution protection, however, will be dependent upon a plurality of facts including, but not limited to, the extent others are using the mark or portions of it, and whether the similar features are geographic or descriptive.

The courts presently deal with the question of similarity in fashioning the relief granted in trademark infringement cases. Where the mark is inherently arbitrary, fanciful or coined, the relief is broader, and, concomitantly, less similarity is required for relief. Where a mark's distinctiveness is acquired, the scope of the relief against similar marks (as opposed to identical) is generally less. The same reasoning should apply with respect to dilution.

Therefore, the problem of similar but not identical marks can be dealt with simply: allow the courts to continue to develop relief in any given case according to all of the facts and circumstances before it. To establish specific guidelines would be unwise because "cheats and pirates" would always find a way to stay just outside of the guidelines, but still poach on the reputation and celebrity of famous marks.

QUESTIONS OF SENATOR DECONCINI

1. THERE ARE MANY AMENDMENTS IN S. 1883 THAT DO NOT SEEM TO BE COMMENTED UPON BY THOSE WHO ARE CONTACTING MY OFFICE. I AM CONCERNED THAT THE MAJOR ISSUES MIGHT BE OVERWHELMING SOME OF THESE CHANGES. ARE THESE CHANGES REALLY AS TECHNICAL AS WE MIGHT BE PERCEIVING THEM TO BE OR IS THERE SOMETHING WE SHOULD BE LOOKING FOR?

The basis of S. 1883 is the Final Report of the Trademark Review Commission which was made part of the hearing record. This Report was the result of over two years of study and represents an exhaustive review of the Lanham Act and discussions with hundreds of individuals and over thirty organizations. It concluded that, while the Act required modernization and clarification in certain respects, it had stood the test of time well and required only a relatively few, albeit important, amendments.

With the notable exceptions of the proposed intent-to-use system, the federal cause of action to prevent the dilution of famous and distinctive marks and the language providing for the filing of security interests with the Patent and Trademark Office, the amendments proposed by S. 1883 are intended simply to codify existing case law and the accepted meaning of the Act. This applies as well to the proposed revision of section 43(a), about which the advertising industry has recently expressed concern that some of the new language might be construed as expanding existing law.

It is for these reasons, and because the recommendations contained in the Report of the Trademark Review Commission were the subject of extensive consensus-building in the private sector during their development, that USTA believes most of S. 1883's sections have not been commented upon by those contacting your office and those of other members of Congress.

2. IT HAS BEEN SUGGESTED THAT IN PROTECTING MARKS FROM DILUTION, WE SHOULD BE FOCUSING ON "STRONG" MARKS AS OPPOSED TO "FAMOUS" MARKS. WHAT ARE YOUR VIEWS ON THIS QUESTION? WHAT IS THE DIFFERENCE BETWEEN A "STRONG" AND A "FAMOUS" MARK?

The term "strong" is often applied to marks which are coined, arbitrary or fanciful. These terms are wholly without meaning other than as an identification of the source or origin of the goods or services with which they are used. They are inherently distinctive as marks regardless of the extent to which they are used or known. The term is also used when referring to marks that are widely advertised and known by the public, even if that recognition is limited to a region, whether it be a county, a state or several states. Conversely, the term "famous" encompasses only those marks which are widely recognized, regardless of whether they are inherently distinctive or whether their distinctiveness was acquired through use.

USTA believes that only those registered marks which are both distinctive and well-known throughout a substantial portion of the United States should be protected from dilution under federal law. As this dual criteria is encompassed by the term "famous", but is not necessarily encompassed by the term "strong", the term "famous" should be used in the context of the proposed dilution provision.

3. THE DILUTION PROVISION CONTAINED IN S. 1883 DOES NOT ADVOCATE THE PREEMPTION OF THE EXISTING STATE DILUTION LAWS. IF DILUTION IS A REAL PROBLEM AND THE LAW IS UNCERTAIN IN THIS AREA, WOULDN'T IT BE PREFERABLE TO SETTLE THE MATTER ONCE AND FOR ALL BY HAVING THE FEDERAL LAW PREEMPT THE STATES? IF WE DON'T, AREN'T WE LAYING THE GROUNDWORK FOR CONFLICTS BETWEEN STATE AND FEDERAL LAW?

A federal dilution provision should not preempt the state dilution laws. The federal provision is narrowly drawn to protect only those federally registered marks that are nationally famous. Accordingly, its protection would not extend to those marks which are famous only locally or regionally but which nonetheless deserve protection on that basis under state or common law. Thus, the federal provision will complement state law, it will not lead to conflict. In fact, it is likely that the federal provision will reduce conflict because it will offer guidance to the states as they interpret their own dilution laws and increase uniformity in the concept's application.

On the other hand, it is vitally important that the state dilution statutes should not conflict with or preempt federal law. S. 1883 accomplishes this by making federal registration of a mark a complete bar to a state or common law claim of dilution. This is consistent with the expressed Congressional intent of the Lanham Act that federally registered marks should be free of interference by state or territorial legislation. It also promotes the purposes of the Lanham Act by offering a further benefit to those who obtain federal registration of their marks.

4. THE BILL'S ANTI-DILUTION PROVISION WOULD PERMIT THE OWNER OF A "FAMOUS" MARK TO PREVENT THE USE OF ITS MARK ON OTHER PRODUCTS IF THAT OTHER USE WILL "DILUTE" THE MARK'S DISTINCTIVENESS ... EVEN WHERE THERE IS NO LIKELIHOOD OF CONFUSION.

HOW DO YOU DEFINE FAMOUS? The term "famous" is not defined in S. 1883 in order to allow the courts discretion in determining the right to relief in appropriate cases based upon the facts. However, it should be interpreted as applying only to marks which have achieved significant celebrity throughout a substantial portion of the United States. The several factors S. 1883 specifically identifies will give the courts necessary guidance in determining if a mark is distinctive and famous.

DO WE REALLY NEED THIS TYPE OF FEDERAL LAW? A federal dilution provision is necessary because it fills a vacuum in the protection of federally registered marks. By protecting those federally registered marks which are both distinctive and famous, the provision recognizes that these marks represent a valuable investment and property right that their owners have developed, generally at great expense over a long period of time.

Over 100 years ago, the Supreme Court held that there is a property right in a trademark:

> "The right to adopt and use a symbol or device to distinguish the goods or property made or sold by the person whose mark it is, to the exclusion of the use of the symbol by all other persons, has long been recognized by the common law and the Chancery Courts of England and of this country, and by the statutes of some of the states. It is a property right, for which damages may be recovered in an action at law, and the violation of which will be enjoined by a court of equity, with compensation for past infringement. This property and the exclusive right to its use were not created by the act of Congress, and do not now depend upon that act for their enforcement." The Trademark Cases (1879), 100 U.S. 82, 25 L.Ed. 550, 551

To date, the scope of federal protection has been limited to what essentially are actions in deceit, i.e., avoiding likelihood of confusion by the public. This laudable purpose should in no way be diminished. However, there is no justifiable reason why a mark, as property, should not be protected from trespass, which is essentially what the federal dilution provision does.

IS THIS A PROVISION THAT WILL ONLY HELP THE RICH GET RICHER, SO TO SPEAK? The federal antidilution statute is not intended to "help the rich get richer". Rather, it is a provision that will protect distinctive and famous marks. In fact, because many small companies build their entire business around one mark, it is likely that they will benefit particularly from the provision.

DOES SUCH A PROVISION REALLY BELONG IN THE TRADEMARK STATUTE, WHICH BY ITS NATURE IS DEVOTED TO CONFUSION IN THE MARKETPLACE? A dilution provision properly belongs in the Lanham Act because it represents a means of protecting the property rights in a mark.

5. THE BILL PROPOSES TO GRANT PRIORITY RIGHTS TO A COMPANY AS OF THEIR APPLICATION FILING DATE, BEFORE ANY ACTUAL USE OF A TRADEMARK HAS OCCURRED. WHY IS THE CONCEPT OF "CONSTRUCTIVE USE" SO IMPORTANT? WHAT ABOUT THE CONCERN THAT A TRADEMARK OWNER MIGHT RECEIVE RIGHTS UNFAIRLY AGAINST INNOCENT SUBSEQUENT USE BY ANOTHER? SHOULD A CONSTRUCTIVE USE DATE RUN FROM THE DATE AN APPLICATION FIRST BECOMES PUBLICLY AVAILABLE RATHER THAN FROM THE DATE OF FILING?

As discussed in USTA's written statement (pages 14-16, 25-26), "constructive use" priority is important for three distinct reasons. First, it is essential to the objectives of the intent-to-use system for without it an application would be vulnerable to pirates. Second, it resolves an important fact issue in current trademark law and thus will reduce the geographic fragmentation of trademark rights. Third, it encourages the early filing of applications and fosters trademark searching by all parties prior to their adoption of new marks. All of these results are consistent with and promote the purposes of the Lanham Act. In addition, constructive use priority confers on all applicants what is essentially provided now to foreign applicants under section 44.

Constructive use would not place innocent subsequent users at significantly greater risk than the current system does. For example, federal registration can now be premised on commercially invisible token use. Additionally, constructive use resolves the narrow issue of priority only; there are many other fact-intensive issues the courts consider when determining the rights of parties in trademark cases.

Constructive use must date from the filing of the application, not from the date the application becomes publicly available. Although someone might innocently adopt a mark between the time an application is filed and when it is available in the search room, this possibility is remote and is present today. For example, under present law, a foreign applicant filing on the basis of a foreign application has up to six months to apply for registration in the United States. This time lag, which is far more extensive than the length of time it takes the PTO to make applications available in the search room, has given rise only rarely to conflict with a domestic trademark owner who has actually initiated use of its mark.

Making constructive use begin on the date when filing becomes publicly available is to pick an indefinite date with a time lag that may vary from week to week, depending on the efficiency with which the Patent and Trademark Office operates. This is the antithesis of the certainty constructive use is intended to provide. Moreover, it is inappropriate to delay constructive use because of inefficiencies at the PTO. Rather, the focus should be on ways to make applications publicly available sooner.

6. WITH RESPECT TO SOME OF THE SPECIFICS OF THE INTENT-TO-USE PROPOSAL:

WHAT IS MEANT BY BONA FIDE AND IS THIS A TERM THAT SHOULD BE DEFINED BY STATUTE? "Bona fide" is a well-defined legal term that does not require statutory definition. It is a fact-intensive issue whose resolution must depend on the particular fact of records, not on strict statutory language. It is explained in the Report of the Trademark Review Commission (included as an appendix to USTA's written statement) as "no mere hope, but an intention that is firm though it may be contingent on the outcome of an event - e.g., product testing or market research." (77 TMR 397)

DO YOU BELIEVE THERE OUGHT TO BE SOME SPECIFIC LIMIT ON THE NUMBER OF APPLICATIONS A SINGLE COMPANY MIGHT BE ABLE TO FILE? USTA believes that a specific limit on the number of applications a single company might be able to file is both unnecessary and inappropriate. S. 1883 contains sufficient safeguards to deter abuse and frivolous filings. No strict limit could accurately reflect all the relevant variables.

IS FOUR YEARS EXCESSIVE? Allowing applicants up to a maximum of four years from the date their applications are cleared and the notice of allowance issues is a reasonable length of time within which to commence commercial use and is sufficiently flexible to deal with most business situations. As indicated in its written statement, USTA supports and urges the four-year time frame because it recognizes the extent to which lead times to introduce new products or services can vary from one industry to the next: (i) for certain industries six months or less may be the norm, and the applicant would have a difficult time alleging a serious, good faith intention for any length of time that greatly exceeded that norm; and (ii) for others, namely those with long research and development schedules, four years may be unavoidable.

DO YOU BELIEVE THAT AN APPLICANT SHOULD BE ABLE TO REFILE AFTER THE FOUR-YEAR LIMIT HAS EXPIRED? There is no need to prevent an applicant from refiling its application if it is unable to make use within four years. First, it is doubtful that this would occur with any frequency because the applicant would lose the constructive use priority accorded its initial application. Thus, another person would be able to establish priority over the first applicant simply by filing an application any time before the four years expired. Second, to preclude such refiling would prejudice an original applicant who, after investing in a new mark, could not meet the four-year cut-off date owing to unforeseen circumstances. In sum, if no other party is interested in using a mark, and the original applicant can continue to verify its bona fide interest in using the mark, noone is damaged if the latter refiles.

TRADEMARKS, INTENT TO USE IN COMMERCE, AND THE CONSTITUTION

Robert B. McKay*

The purpose of this memorandum is to review and comment on the constitutional validity of a proposed intent-to-use amendment to the Lanham Act of 1946.[1] Specifically, the proposal (although not reduced to precise language) is to support a dual system permitting applications on the Principal Register to be based either on use in commerce (the present law), or on a bona fide intention to use in commerce, with registration issuing only after a declaration of actual use accompanied by specimens of such use that have been approved.

For reasons stated below, it is my conclusion that the proposal is constitutional. Although it is not my assignment to discuss the merits, I cannot resist stating that my examination of the present operation of the registration procedures under the Lanham Act strongly suggests the need for this change. The only justification I advance for this gratuitous comment is that, if this needed improvement in procedure has been held back by doubts about constitutionality, elimination of that uncertainty may thus advance consideration of the merits.

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* Professor of Law, New York University.

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[1] 15 U.S.C. §§ 1051-1127.

The Background

The present proposal in its general approach is not new, although in some particulars it is different from earlier approaches, with the effect of reducing or eliminating earlier constitutional concerns.

The original trademark statute (1870) permitted applications to be based on use or intention to use. It was invalidated principally because it did not require use or intended use in commerce.[2]

The Intent-To-Use Committee of the Trademark Review Commission summarized succinctly the efforts since that time to authorize intent-to-use applications subject to use before actual registration.

> Intent-to-use legislation was subsequently proposed in 1925 (H.R. 6248) and 1938 (H.R. 9041) but dropped. In the 1960's, several bar groups supported the Dirksen and related intent-to-use bills requiring use before registration. This movement dissipated in the early 1970's when interest shifted to the widely debated Trademark Registration Treaty permitting, inter alia, intent-to-use applications, with use within three years after registration. Signed in 1973 by the United States, but never ratified by it, TRT now appears to be a dead issue.[3]

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[2] United States v. Steffans, Trade-Mark Cases, 180 U.S. 82 (1879). In the 1870 statute Congress had apparently relied on article I, section 8, clause 8 of the Constitution, the source of authority for protection of copyrights and patents. It is now generally accepted that that clause is not a constitutional source for protection of trademarks. The commerce clause, article I, section 8, clause 3, thus becomes the necessary basis for federal legislation relating to trademarks.

[3] Trademark Review Commission, Final Report of Intent-to-Use Committee 1-2 (Oct. 15, 1986).

Interest in intent-to-use legislation has revived in recent years for highly pragmatic reasons, as stated in the Committee report.[4] For present purposes those reasons may be summarized as follows:

1. The prefiling use standard is unrealistic in forcing industry to incur sometimes substantial costs without assurance that the trademark will ultimately be registrable. This practical difficulty has led to token use applications, which constitute an end-run around the statute, creating in effect an underground intent-to-use system.[5] The intent-to-use proposal would put an end to token use as a device for subverting the statute.

2. The intent-to-use standard would increase certainty of protection of a brand name by registration. This would afford more lead time to negotiate a potential conflict among marks or to select another mark before launching a product.

3. An intent-to-use system would significantly lessen the disparity between present prefiling requirements for domestic and section 44 applicants, particularly if the latter should also be required to allege a bona fide intention to use in commerce.[6]

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[4] Id. at 7-8. The details of the proposal are set forth id. at 9-11.

[5] See Sacoff, The Trademark Use Requirement in Trademark Registration, Opposition and Cancellation Proceedings, 76 The Trademark Reporter 99 (1986).

[6] In Crocker National Bank v. Canadian Imperial Bank of Commerce, 223 U.S.P.Q. 909 (TTAB 1984), the Trademark Trial and Appeal Board permitted section 44 applicants not to allege use

It is relevant to the constitutional question to establish that the proposed legislation has a valid and substantial relationship to commerce and would ease present burdens on the flow of commerce. Accordingly, the pragmatic justifications for the proposed amendment above noted relate directly to the constitutional questions to which this memorandum is addressed.

The Constitutional Analysis

In reviewing the constitutional validity of the proposed intent-to-use legislation,[7] the analysis proceeds as follows:

Trademarks are ordinarily used in commerce "among the several States" and increasingly "with foreign Nations." Accordingly, there can be no doubt that in the typical case, use in interstate commerce following a declaration of intent to use in commerce, the proposed legislation would be valid. Even when a trademark is used wholly within a single state, ample authority establishes that, if there is any actual or potential effect on more states than one, congressional power to legislate exists.

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anywhere or to file specimens, thus emphasizing the advantage to section 44 applicants over domestic applicants under present law.

[7] Articles pro and con are collected in 53 The Trademark Reporter 963-95 (1963) and 63 id. 421-639 (1973). The arguments against validity are largely confined to proposals that would have allowed registration upon declaration of intent, but before actual use. To whatever extent that might be a problem, the present proposal avoids it by permitting registration only after a genuine use in commerce, specifically more than a token use. As Donald A. Kaul observed in his letter of opposition to the merits of an earlier proposal, the withholding of registration, until use is accomplished, would "thus probably [circumvent] the holding of the Trade Mark cases . . . ." Letter of April 1, 1969, from Donald A. Kaul to Charles Pickett.

Examples adequately make the point.

o Wickard v. Filburn, 317 U.S. 111 (1942). A farmer who grew a small amount of wheat entirely for consumption on his farm was nevertheless held subject to the provisions of the Agricultural Adjustment Act of 1938. The Court observed that even if the wheat "is never marketed, it supplies a need of the man who grew it which would otherwise be reflected by purchases in the open market. Home-grown wheat in this sense competes with wheat in commerce." Id. at 128. Similarly, a declaration of intent to use a trademark within a single state, followed by actual use, identifies a product that presumably competes with other trademarks "in commerce."

o Fair Labor Standards Act cases (FLSA). In United States v. Darby, 312 U.S. 100 (1941), the Court established the proposition that the wage and hour requirements of the FLSA can be applied to prevent a covered producer from employing workers or shipping in interstate commerce other than in compliance with standards in the statute. In subsequent cases the Court extended the "in commerce" concept to cover activities that might at first seem to be wholly intrastate. Thus, in Kirschbaun v. Walling, 316 U.S. 517 (1942), the Court held that the act applied to employees engaged in the maintenance and operation of a building in which goods for interstate commerce were produced. In Martino v. Michigan Window Cleaning Co., 327 U.S. 173 (1946), the FLSA was held applicable to employees of a window-cleaning company, the greater part of whose work was done on the windows of people engaged in interstate commerce. On the basis of these unchallenged precedents, the intent-to-use declaration followed by actual use, even if intrastate, should be covered _a fortiori_.

Subsequent to the cases above noted, the only question about the reach of the FLSA has arisen under an amendment to the act extending coverage to employees of state and local governments. In 1976, the Supreme Court held in effect that this was a regulation of the state as a state and that this constituted an intrusion upon state sovereignty in violation of the tenth amendment. _National League of Cities v. Usery_, 426 U.S. 833 (1976). That decision was overruled in _Garcia v. San Antonio Metropolitan Transit Authority_, 105 S. Ct. 1005 (1985). Even if the earlier decision had not been set aside, that determination would not have been relevant to trademark issues involving no question of state sovereignty. Trademarks involve private commercial interests in which a benefit is sought by private entrepreneurs from the government; and government has the unquestioned right to define the conditions for the exercise of that privilege so long as there is some, even remote, impact on commerce. The impact on commerce is for Congress to decide, and that decision will be upset only in the case of rank abuse. Professor Martha Field states the applicable test in these words:

> What the Court forgot in _National League of Cities_ and remembered in _Garcia_ is that, in most matters, the Constitution should be the last line of defense and not the first. In all but a limited class of cases, there are more flexible ways of adjusting conflicts while keeping the Court out of a direct confrontation with Congress. Elsewhere, the Constitution is too sharp a sword to be unsheathed, save as a last resort, in the

most extreme of situations.[8]

o Civil Rights Cases. In Heart of Atlanta Motel v. United States, 379 U.S. 241 (1964) and Katzenbach v. McClung, 379 U.S. 294 (1964), the Court interpreted the 1964 Civil Rights Act to require compliance with its anti-discrimination terms to a motel that concededly catered to out-of-state guests and, more dramatically, to a restaurant whose patrons may have been entirely intrastate, but which made some purchases of foodstuffs from out of state. The moral seems to be that, no matter how tenuous the relationship to interstate commerce, what Congress wants, Congress gets.

o Other confirmatory cases. Hodel v. Virginia Surface Mining Association, 452 U.S. 264 (1981) involved a federal environmental statute that purported to regulate surface mining on nonfederal land throughout the nation. The Court observed that "when Congress has determined that an activity affects interstate commerce, the courts need inquire only whether the finding is rational." Id. at 277. Despite the eminently local quality of land, the Court upheld the rationality of the congressional finding of an impact on commerce. See also Federal Emergency Regulatory Commission v. Mississippi, 456 U.S. 742 (1982) and Perez v. United States, 402 U.S. 146 (1971). As already noted, the objective of the present proposal is exceedingly rational in its intent to improve the flow of interstate commerce and to lessen the present burdens on such commerce.

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[8] Field, Garcia v. San Antonio Metropolitan Transit Authority: The Demise of a Misguided Doctrine, 99 Harvard Law Review 84, 118 (1985).

As just demonstrated, the presumption of validity for legislation based on the commerce clause is one of the strongest of all constitutional presumptions, particularly when there are rational reasons in support of the legislation. The few doubts that have been expressed about the reach of the commerce power relate to issues of federalism embodied in the tenth amendment. That is not this case. States as sovereign entitites can have only the most attenuated interest in trademark legislation. Like copyright and patent law, registration and regulation of trademark are preeminently subjects appropriate for a single national rule. Unlike the wages and hours of state and local government employees,[9] and unlike mining for natural resources within a state,[10] the essence of trademark regulation must be a single national rule.

Constitutional questions raised in connection with earlier intent-to-use proposals centered on the allowance of registration before actual use. Although a strong case could be made in support of even that proposal, on the ground that commerce was clearly implicated in the commitment to use, the present proposal eliminates that small uncertainty. No registration is contemplated until there has been a declaration of intent to use, followed by a genuine commercial use. Since this requirement provides for actual movement in commerce, it is surely a sufficient trigger of the commerce clause; and clearly it is commercially preferable, even constitutionally preferable, to the token use that is tolerated under present law.

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[9] See, e.g., National League of Cities v. Usery, 426 U.S. 833 (1976); Garcia v. San Antonio Metropolitan Transit Authority, 105 S. Ct. 1005 (1985).

[10] See, e.g., Hodel v. Virginia Surface Mining Association, 452 U.S. 264 (1981).

Conclusion

For the reasons stated above, it is the firm conviction of this commmentator that the current intent-to-use legislative proposal satisfies the most rigorous constitutional inquiry.

Senator DECONCINI. We'll now call the first panel: Mr. Ronald Kranzow, vice president and legal counsel of Frito-Lay; Ms. Debra Fields, president of Mrs. Fields, Inc.; Mr. C. DeForrest Trexler, deputy general counsel, Mack Trucks, Inc.; and Mr. Herbert A. Hedden, assistant director for government relations, International Franchise Association.

We'll start with Mr. Kranzow. Please lead off for us, and then we'll go to Mrs. Fields.

STATEMENT OF RONALD R. KRANZOW, VICE PRESIDENT AND LEGAL COUNSEL, FRITO-LAY, INC., PLANO, TX

Mr. KRANZOW. Mr. Chairman and honorable members of the subcommittee, I appear this morning as a long-time employee of and lawyer for a large snack food company, Frito-Lay, Inc. The written submission which I've turned over discusses the act in much greater detail than I intend to address it today. I propose only to cover a few highlights which I consider to be most important from the standpoint of a company such as mine.

The first is the title of the act. "The Trademark Law Revision Act" is remarkably dull and lackluster considering the importance of this piece of legislation, I submit respectfully. This is the most important piece of legislation on the subject of trade identity unfair competition, in my opinion, in more than 40 years, a major advance in an area of tremendous importance to American commerce.

The field of unfair competition is generally regarded as being divided into two categories. One is antitrust or unfair business practices of what I consider a dirty pool nature, and the trade identity side which concerns the reputation of makers, the proper protection of consumers, and in general the proper identification of goods. For some reason, the antitrust side gets all the attention. There's a tremendous interest by legislatures at all levels and by the press in the kinds of practices generally viewed as part of the antitrust law. Price fixing and monopolization, mergers and acquisitions, price discrimination are subjects of great interest.

For some reason, there tends to be a deemphasis on the trade identity side of unfair competition which is the side of the law which enables the honest traders all over the country to properly identify their goods, to compete effectively, to protect trademarks and other indices of origin without which we can't have the system at all.

Vigorous and fair competition is, after all, the basis of our economy. Without an effective, efficient trademark system, we can't enjoy that.

Frito-Lay is, for example, generally regarded as rather large in the snack food business, salty snacks, and possibly has some of the most famous marks in that field: Fritos corn chips, Doritos, and Tostitos tortilla chips, Lays and Ruffles potato chips, Chee-Tos cheese puffs, and so on, are very well known.

But the point I wish to emphasize this morning is that while the company is fairly large with sales in the billions of dollars, each of those products is not. Each competes on the shelves with hundreds, perhaps thousands, of other products all over the country in super-markets, in gas stations with buyers in every sort of competitive environment.

The products have to identify themselves very quickly and with very little help. A strong trademark and a system for protecting it is essential. The average urban consumer is often said to see 1,600 trademarks a day. I personally believe it's much more than that. A visit to the supermarket would expose anyone to thousands of marks and to packaging of a wide variety. Competition is very rough, and that's good. It's excellent for American consumers.

But the importance of a system which enables us to distinguish products in a way that will avoid confusion of consumers and will further protect the interests of the people who own trademarks and compete with each other, whether they're large or small, can scarcely be overemphasized.

The present law in the United States is not "broken." It's a good law. We have a system based on equitable principle that's quite fair. It's worked for a long period of time, but it's not perfect.

The interests, for example, of a user of a trademark who has not registered it are protected by our law. The courts respect the rights based on use rather than Federal registration. Unlike, as far as I know, every other country of the world, the rights in the United States depend on the rather rational use standard rather than upon some sort of race to a government office to establish legal rights.

At the same time, the present system of use is very hard on people who depend upon innovation in their businesses, large or small. Someone devoting his life or his fortune or his shareholders' fortunes in a new product is required to adopt a mark based upon lawyers' opinions about the availability of the mark for use and upon token use which is now widely recognized but is fundamentally sham use or fictional use.

One uses a mark, goes ahead and invests all of his money and his time, and perhaps his life, in a small business attempting to launch that thing in the hope that another party will not adopt the same or similar mark in another part of the country while he's getting rolling. That's a terrible risk to take in a country which depends upon innovation of new products in the terribly competitive marketplace I talked about.

The new statute retains the good parts of our law, the equitable treatment of trademarks, the respect for use, fairness, the fairness which is not always typical of the race to a government office system in foreign countries, while at the same time providing security and certainty and order in the trademark adoption process through the intent-to-use legislation.

As is probably very apparent, the sham system of token use is replaced by a filing of an intent-to-use application which constitutes itself constructive use provided it's followed up with actual commercial use, not token use, not sham use, but bona fide commercial use at an appropriate period of time—6 months, I believe, extendable to up to 4 years, through the payment of fees and filing of a lot of additional paperwork and the incurring of additional legal fees.

The point is that from the time the application is filed the applicant, under a use system, still prevails in our country, has effected constructive use and has much greater security, while, on the other hand, the user who has in Peoria, IL, used the mark for many years is still protected under our law without having some sort of new Government encroachment upon a longstanding legal right.

A shortcoming of the act may be, we will hear more, no doubt, from the Patent and Trademark Office, that the cost of the Trademark Office will probably be increased as they handle a new class of applications, the intent-to-use applications.

The good news is that all of the trademark system—the courts, the people adopting the marks, and ultimately, I think, the Patent and Trademark Office will achieve economies. For the office, a lot of the economies will be attributable, I think, to the elimination of deadwood.

At the moment a great many trademarks which are on the Federal Register are not used. This can be for a wide variety of reasons, the most common being, I suppose, the product either never really flies or goes out of use and the trademark remains on the register for the remainder of the 20-year term of registration.

Under the new act, with affidavits of use and a 10-year term, and a bona fide use being a basis of registration, there's every prospect that the number of marks on the register will decline with tremendous benefits not only for the office which will have a smaller register to deal with, but to parties adopting trademarks.

At the moment my company, in adopting a trademark for a new product, may very well search 100 or 200 proposals. We search hundreds a year in connection with our new products. Presumably, this task will be simplified as well as having the benefit of the intense-use application providing greater security.

We think that the proposed legislation is very good and we earnestly solicit the support of this subcommittee for this good legislation despite the fact that it bears such a lackluster title.

[The prepared statement of Mr. Kranzow and questions and answers follow:]

STATEMENT OF

RONALD R. KRANZOW
VICE PRESIDENT AND LEGAL COUNSEL
FRITO-LAY, INC.

REGARDING S. 1883
THE TRADEMARK LAW REVISION ACT

BEFORE THE SENATE SUBCOMMITTEE
ON PATENTS, COPYRIGHTS AND TRADEMARKS

MARCH 15, 1988

LDC88026/1

Good morning, Mr. Chairman and members of the subcommittee. My name is Ronald Kranzow and I am the Vice President and Legal Counsel for Frito-Lay, Inc., a company that manufactures, packages and distributes a variety of trademarked items ranging from potato chips and corn chips to nuts, meats, crackers, cakes and cookies. I am pleased to testify before this committee on the subject of S. 1883.

This bill now before you is clearly the most significant legislative development in the field of trade identity unfair competition since The Trademark Act of 1946. After thorough study of this legislation, Frito-Lay fully endorses this bill for the many important and substantive improvements it achieves in U.S. Trademark Law. Please permit me to address several aspects of this proposed legislation that will affect a consumer products company such as Frito-Lay.

Frito-Lay is a dynamic, consumer products company having sales in excess of $2.8 billion in 1987 from over one hundred different snack food products. Frito-Lay relies heavily on trademarks to establish distinctive identities for its products in the marketplace. Some of Frito-Lay's well known trademarks that you are probably familiar with are the FRITOS mark for corn chips, the LAY'S and RUFFLES trademarks for potato chips, the CHEE.TOS trademark for puffed snacks, and the DORITOS and TOSTITOS marks for tortilla chips.

Most of Frito-Lay's products did not exist at the time the trademark statutes were last revised in 1946. The parents of Frito-Lay, Inc., the Frito Company and Lay's Potato Chip Company produced only a handful of products before they merged. After the merger, the Frito-Lay, Inc. company met with tremendous success due in large part to the ability to steadily introduce new products to the marketplace. New market introductions in the food industry involve a high degree of risk. Only about five percent of such introductions are successful. Unfortunately, the trademark law is presently an impediment, not an aid to the U.S. manufacturer, whether it be a large or small company, in preparing new products for the marketplace. Under the present law, an applicant for trademark registration must conform to an impractical requirement that the mark be actually used in commerce at the time of registration. Thus, the choice of a name for a new product is often contingent on a contrived practice of "token use" which does not provide the applicant with national protection or rights against intervening other parties.

As you can imagine, a tremendous amount of time, energy and dollars is poured into a new product before it is launched. Aside from development and manufacturing costs, an enormous creative effort must be exerted to insure the product's success. Marketing and advertising concepts are developed and built around a focal feature of the product. So, too, is the new product's name and any other identifying features of the product or its packaging that are intended to shape the product's identity with the consumer. Under the present trademark registration system of "use first then file", a risk continually exists that the chosen trademark will be preempted or restricted by another's first use. Literally millions of dollars may be placed at risk by an improvidently chosen trademark! These loses, which become a part of the cost of doing business for U.S. companies, are needless.

The proposed legislation comes a long way toward reducing this risk. A key portion of S. 1883 is the inclusion of a basis other than actual use for initiating federal registration. A second basis for registration is premised on a bona fide intent-to-use. Under the proposed legislation, a company or individual will be able to lay claim to a trademark before it is in actual use and so reduce the uncertainty associated with the availability of the mark. Additionally, the date on which an application for registration is filed will constitute nationwide "constructive use" of the mark. This provides the applicant priority rights over later users, although priority will not be enforceable until the applicant shows actual use of the mark sufficient to obtain registration.

Another effect of this bill will be the elimination of marks no longer in use. A series of changes is intended to maintain registration on only those trademarks that are actually being used in the United States marketplace. By eliminating marks no longer is use, a relatively large company, such as Frito-Lay, will routinely return to the public trademarks that had been adopted by it, but were not attached to a commercially successful product.

While this proposal is not entirely favorable to a company like Frito-Lay which, because of its high volume of new products activity over the years, may have accumulated many registrations for marks no longer in use, it is in the public interest that such marks are not kept captive for extended periods of time. All parties seeking new trademarks will benefit by the removal of unused marks from the federal register as this will enlarge the pool of available marks for businesses to adopt, use and register, and will further reduce the uncertainty and expense associated with selecting and adopting new marks. As an example, Frito-Lay's annual practices relative to trademark selection include considering thousands of potential new marks, closely examining between

250 and 500 marks to determine their availability for adoption by Frito-Lay, and actual filing for U.S. registrations for fewer than twenty trademarks. As these searches indicate, the volume of effort required to yield one U.S. trademark registration is enormous. The means of eliminating "deadwood" from the register contained in S. 1883 will improve the accuracy of the register.

The bill also proposes a federal cause of action to supplement State anti-dilution statutes. This section aims to prevent dilution of the value of truly famous and distinctive marks by uses that may not be directly competitive and, therefore, may not constitute actual trademark infringement. Anti-dilution statutes are in existence now in about half of the States. Creating a uniform federal standard for dilution protection will promote fair competition by preventing others from trading on the good will that has been developed over time in truly famous marks by virtue of extensive investment. Without protection from dilution, extremely valuable but fragile trademark assets are susceptible to a loss of goodwill and customer loyalty due to unwanted associations with another's goods or services.

Another important change incorporated in the legislation before you is the proposed modifications to §43(a) of the Lanham Act. This change conforms the language of this Section to the expanded scope of protection that has been imputed to this Section by the Courts. By this change, misrepresentations and omissions about one's own products or about another's products, as well as the disparagement and tarnishment of trademarks, will be made actionable and the remedies available for registered trademark infringement will also be available for these actions.

In summary, the proposed revisions will result in a comprehensive and important updating of our federal trademark law. This legislation will continue to foster a system of fair competition within the American business community as a whole, large and small businesses alike, and will ultimately serve the needs of the primary beneficiaries of this system, the American consumers.

It is my opinion that this legislation will reduce costs associated with trademarks for businessmen, will reduce the burden and cost within the Patent and Trademark Office for regulating and maintaining trademarks, and will reduce confusing and deceptive practices associated with unfair competition. All of these effects will benefit the American consumer in a manner that does not require the expenditure of tax dollars to implement. This subcommittee has a valuable opportunity to modernize the federal trademark statutes through the passage of legislation that has been thoroughly and thoughtfully drafted, whose benefits will continue to be reaped by the American consumer for years to come.

Thank you for this opportunity to present these views. I would be pleased to answer any questions that you might have.

RONALD R. KRANZOW

VICE PRESIDENT AND LEGAL COUNSEL

FRITO-LAY, INC.

Ron Kranzow is Vice President and Legal Counsel of Frito-Lay, Inc. the world's leading manufacturer of snack foods. He is also Associate General Counsel of PepsiCo, Inc., Frito-Lay's parent company.

As Frito-Lay's chief lawyer since 1974, he has directed the company's affairs in most fields of law. His own specialties are patents, trademarks, and unfair competition. He has been very active in the United States Trademark Association, serving as President and Board Chairman during the 1977 association year.

He also has been active as a speaker and writer, usually in connection with legal association activities. Over the years, he has served in various capacities in many organizations, including the American Bar Association, the American Patent Law Association, the Licensing Executives Society, the International Patent and Trademark Association and various local bar associations around the country. He is licensed to practice in Texas and California and in various courts including the Court of Appeals for the Federal Circuit and the Courts of Appeals for the 9th, 7th and 5th Circuits.

Before joining Frito-Lay, he was Trademark Counsel at PepsiCo in Purchase, N.Y. and before joining PepsiCo in 1968 he was Trademark Counsel for Kaiser Aluminum and Chemical Corp. in Oakland, Ca.

Mr. Kranzow was born in Chicago in 1931, attended four undergraduate universities and received his law degree from Golden Gate University in 1961. In the fifties he served for four years in the United States Air Force as a Russian linguist. He and his wife, Joan, have three children and one grandchild. The Kranzows are active in the Churchill Way Presbyterian Church, where Mr. Kranzow is an elder and a Sunday school teacher. Mr. Kranzow also enjoys fishing, water and snow skiing, scuba diving and other sports.

With annual sales of over $2.75 billion (1986) and 27,000 employees nationwide, Frito-Lay is the largest division and the leading profit contributor in the PepsiCo organization, which also includes: Pepsi-Cola USA, Pepsi-Cola International, Seven-Up International, Pizza Hut, Taco Bell, Kentucky Fried Chicken and other snack food, beverage and restaurant companies.

Frito-Lay, Frito-Lay, Inc.

SUMMARY OF REMARKS

RONALD R. KRANZOW

FRITO-LAY, INC.

Frito-Lay, Inc., a consumer products company that manufactures and distributes more than 100 snack food items, ranging from potato chips and corn chips to nuts, meats, crackers, cakes and cookies, fully endorses S. 1883 for the many important and substantive improvements it will make in U.S. Trademark Law. Of particular interest to Frito-Lay, Inc. are the following provisions of the bill:

A. Applications Based on Intent-to-Use: Current trademark law is an impediment to U.S. manufacturers in preparing new products for the market place. The requirement that a company use a mark in commerce before it can apply for registration of the mark has resulted in a practice of "token use", which does not provide the applicant with national protection or rights against intervening parties. The intent-to-use application system provided in S. 1883 will supplement the present use-based system and eliminate the extreme risk American companies face in choosing a trademark.

B. Elimination of "Deadwood": Another effect of S. 1883 will be the elimination of marks no longer in use. This will enlarge the pool of available marks for businesses to adopt, use and register, and will further reduce the uncertainty and expense associated with selecting and adopting new marks.

C. Protection from Dilution: Anti-dilution statutes currently exist in a number of states. S. 1883 creates a uniform federal standard for dilution protection which will prevent others from trading on the good will that has been developed over time by famous marks.

S. 1883 will result in a comprehensive and important updating of our federal trademark law without disturbing underlying fairness principles. The legislation has been thoroughly and thoughtfully drafted and will benefit the American business community and consumer.

P. O. BOX 660634 • DALLAS, TEXAS 75266-0634 • (214) 824-7000

Frito Lay
Frito-Lay, Inc. Law Department

March 28, 1988

FEDERAL EXPRESS

The Honorable Dennis DeConcini
Chairman
Subcomittee on Patents,
Copyrights and Trademarks
United States Senate
Committee on the Judiciary
Washington, D.C. 20510-6275

Dear Senator DeConcini:

I am writing in response to the questions I received from you and Senator Grassley, with your letter of March 17, 1988 on the Trademark Law Revision Act of 1987 (S. 1883). My answers are as follows:

Question #1 from Senator DeConcini:

Does Frito-Lay register its trademarks in other countries? How do foreign systems compare with the current U.S. system?

Answer:

Frito-Lay or related companies do register some Frito-Lay trademarks in foreign countries.

Briefly, there are three areas of comparison particularly relevant to the discussion of S. 1883: registration requirements, priority dates and post-registration use requirements.

Registration. There are three basic types of trademark registration systems, subject to many minor variations. First, in the vast majority of jurisdictions worldwide, one merely files an application requesting registration without any other requirement of substance. Second, in those countries with a trademark law patterned after British law, an applicant must declare that it proposes or intends to

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use a mark at some point in the future, which usually can be after registration is granted. Lastly, and virtually alone in the world, is our U.S. system requiring use prior to filing an application.

This prior use requirement places a costly impediment on businesses as well as potentially crucial time delays in the ability to seek and secure trademark registration protection. It has resulted in the development of a contrived token use system which is difficult to implement for smaller businesses and, in some cases (notably involving service businesses), is nearly impossible.

Priority Date. In virtually every country, including those with a British-derived system, the filing of an application for trademark registration creates some type of priority for the applicant. Current U.S. law is nearly alone in the world in failing to do so. Under the present system, a second party could commence use after the applicant has started its use and filed its application, and then prevent the applicant from nationwide expansion. S. 1883 would simply push up the priority date from the registration date to the application date, placing the U.S. in line with the rest of the world while still preserving the rights of legitimate prior users.

Post-registration Use Requirements. While there are a number of countries where a trademark never need be used, the laws of many countries provide that after a certain time period, a mark may be subject to a declaration of abandonment, or that a registration be canceled, if use cannot be demonstrated. Some of these also require a showing of use in order to renew a registration. While current U.S. law is thus quite similar to this latter group, there is one key difference.

In most of the international group requiring use for maintenance purposes, token use is probably not acceptable. Under current U.S. practice, one could theoretically maintain a trademark registration in perpetuity by token use. The revised definition of use in S. 1883 is designed to curtail this practice, and, coupled with a registration term to be shortened to ten years (also bringing us closer in line to international practice), should result in less "deadwood" on the U.S. register.

Conclusion. Our present U.S. system compares unfavorably to foreign systems from a business perspective. It imposes impediments to the prompt and efficient securing of trademark rights (prior use), it fails to protect investment adequately during the critical start-up and development period (no priority date) and makes it more difficult and costly to find and adopt new trademarks (token use-based deadwood).

Question #1 from Senator Grassley:

I would like to pursue the changes that are proposed in the area of intent to use. Current law requires that a company establish that the mark is actual in "use" within our commercial system. Companies can meet this requirement through what we know as "token" use. The proposed change would allow a business to register a trademark based on an "intent" to use. Could you explain how a company will be able to establish an intent to use a particular trademark?

Answer:

As I understand it, intent to use a particular trademark would be established by an intent-to-use applicant by any of the means recognized at law to show intent.

To begin with, it is my understanding that the intent-to-use application itself would be executed under oath containing a declaration of bona fide intention to use. Thus, an applicant filing a sham application would be violating his oath.

Further, in any contest intent presumably would be established not only by oath, but by any other evidence such as communications between individuals, and would not necessarily involve any particular form of proof. As a practical matter, the oath and evidence associated with intent-to-use applications will be more secure, in terms of bona fides, than applications presently based upon token use. In the case of the latter, the application attests to the fact of use but it is understood that such use may merely be token use, not necessarily reflecting bona fides but merely demonstrating the effort to establish minimum use in commerce which may be regulated by Congress.

Question #2 from Senator Grassley:

If a company has to show that it is conducting market research or product testing in order to establish a genuine intent to use the trademark, then won't smaller companies be disadvantaged? They may not necessarily be equipped to do market research.

Answer:

It is inconceivable that a new law could be interpreted to require either market research or market testing in order to establish intent to use a trademark which is the subject of an intent-to-use application. Thus, smaller companies certainly would not be disadvantaged by any burden such as market research or product testing in order to file sworn intent-to-use applications based upon bona fide intent. Indeed, smaller companies under the present system requiring token use may bear a very great burden in effecting token use; for example, token use of a service mark in connection with a hotel or insurance service or token use of a trademark in connection with expensive machinery could pose a very difficult hurdle indeed for small companies. Such a hurdle would pose a greater burden than filing an affidavit reflecting *bona fide* intent to use backed, of course, by such intent in fact.

Question #3 from Senator Grassley:

And likewise, won't smaller companies be at a disadvantage because, under the proposal, a company can reserve a trademark for up to 4 years? The smaller company, which may not have the resources for product testing, could be precluded from showing intent to use and may find itself up against big companies that can tie up trademarks on the basis of market research and intent to use. My question is, how can we be sure that smaller companies are adequately protected?

Answer:

Smaller companies certainly would not be at a disadvantage in connection with the four-year provision concerning intent-to-use applications. In the first place, a company large or small may *not* reserve a trademark for up to four years. If an applicant in fact has a *bona fide* intention to use a trademark but requires up to four years to place the trademark in actual use, the applicant may protect priority for a term of up to four years. But such interim protection may only be effected by periodic filing of sworn statements attesting to *bona fide* intention to use and by payment of periodic fees. In order to preclude a competitor from adopting a particular trademark, a wrongdoer (large or small) would have to file a false and fraudulent affidavit under oath, pay the initial filing fee and then follow up on such wrongdoing for four years, facing considerable expense and effort as well as the risk of fraud and perjury. And for what purpose? How could one competitor anticipate all the moves of any other competitor with respect to the adoption of a trademark? And how could preventing a competitor from adopting any particular trademark, as yet unused and without commercial value, provide such benefit to a wrongdoer as to warrant such risk, expense and effort?

I appreciated the opportunity to testify before the subcommittee on March 15. The enactment of the proposed legislation is extremely important and I solicit the support of the subcommittee and full committee for the legislation.

Sincerely,

Ronald R. Kranzow

Ronald R. Kranzow
Vice President - Legal Counsel

Senator DECONCINI. Thank you.

I will yield to my distinguished colleague from Utah, the ranking member, Senator Hatch.

OPENING STATEMENT OF HON. ORRIN G. HATCH, A U.S. SENATOR FROM THE STATE OF UTAH

Senator HATCH. Thank you, Senator DeConcini.

I want to welcome you witnesses here, and especially you, Mrs. Fields. We appreciate your leadership and your industry and your business.

Mrs. Fields is a resident of my home State of Utah and a good constituent. That means that she generally supports me. [Laughter.]

And I really support her. I don't know anybody who has a greater success story than my dear friends, Debbie and Randy Fields.

We also have Mr. Grow here today from Utah, who is working here, of course, and living in this area, but, nevertheless, we welcome you. I may not be able to stay to hear your testimony.

Mr. Chairman, I want to compliment you for proceeding with these very important hearings because I think the Lanham Act does need some work and we can do some work to correct some of the problems that presently exist.

I do have to note what I think is some fine-tuning to the intent-to-use section, and in a few other provisions as well that we need to make, but I'm sure with the expert testimony and help that we have today we'll be able to make the necessary changes that will help our businesses in this country to be able to thrive and prosper even more than they do.

I am happy to welcome all of you here, especially you, Debbie. We appreciate having you take time to come back and testify to us. I know that you have a worldwide operation that takes a lot of time and a lot of effort. Therefore, to testify to us really means a lot to me personally. Thank you.

Senator DECONCINI. Mrs. Fields, I just want you to know that because of your fine product the two Senators from Utah are the most popular Senators. Frito-Lay helps me a lot, too. [Laughter.]

Because of your generous distribution of your product, these two gentlemen—not only are they very good looking, smart, and all that—but they share them with the cloakrooms on both sides of the aisle, and that's why they rate No. 1 in the Senate.

Mrs. FIELDS. That's wonderful.

Senator HATCH. When you need these good Democrats to help you——

Senator DECONCINI. Send them some cookies.

Senator HATCH [continuing]. Mrs. Fields, you'll be able to do that. [Laughter.]

Senator DECONCINI. We all have a price. [Laughter.]

Senator HATCH. And there's nothing like cookies to help us meet that price. [Laughter.]

Senator DECONCINI. Mrs. Fields, we welcome you here. Please summarize your statement.

STATEMENT OF DEBRA J. FIELDS, PRESIDENT, MRS. FIELDS, INC., PARK CITY, UT

Mrs. FIELDS. First of all, I want to say that it's an honor to be able to speak to you today.

There are two things that I'm genuinely excited about being here. No. 1 is that I believe that the bill, S. 1883, will help us reduce, especially for small business, the redtape in the pursuit of a trademark. The second factor is that I also believe that it's great for small business, as well as large business, but the emphasis being for small business.

The bill is important to me because of the great benefits that it will provide to my business and other small businesses whether existing or to be formed. I want other new businesses to be encouraged to get started with a minimum of obstacles. This bill will eliminate a major obstacle to many small businesses which have great ideas and plans, but do not have unlimited resources.

This bill will give security to the entrepreneur which will allow his spirit of enthusiasm to carry his ideas into a real business. The small business is the back bone of our society and culture. This bill will strengthen the small business community.

As you know, one of the many challenges facing a small business owner during the beginning stages of operation and throughout its development and growth is the challenge of trying to do everything right—as an example, product development, marketing, sales, and business operations, et cetera—on a very limited budget. Oftentimes a new business is started because of a unique idea, business method, or product that an entrepreneur has created and determines that there may be a market for. This new venture is most often identified with a symbol, design mark, or other identification which the entrepreneur has also created.

As I started my business, I created these sorts of identifying symbols and designs and used them as my business got established to help further its growth. At the appropriate time I then proceeded to have my various designs and symbols registered with the Patent and Trademark Office.

I was fortunate to be successful in my venture and also have my designs available for registration. These designs and symbols and their registrations are some of my most important and valuable assets.

Unfortunately, my experience is not shared by all new businesses as they start out. After spending considerable time and money in developing marketing plans, symbols, and designs and using those designs in launching his business, the entrepreneur often finds that everything he has created to symbolize his product and business is so similar to an existing registered trademark that not only can he not get the protection of registration, but in fact often has to abandon the names and designs altogether.

New businesses are never launched without having given some thought as to how that business will be presented to the public. This bill that is before you now will make it possible for a new business, either large or small, that has a bona fide intent to do business, to develop its venture as well as the presentation of its products at the same time, without having to spend considerable amounts of money before it can even find out if the designs and logos are available for registration.

By having first to establish use before the business can even apply for a trademark registration, all businesses, and more particularly small business, have a burden put on them from the outset. That burden is what is called token use.

I was fortunate to overcome the burden and to see my business grow from the beginning. This new bill would give other businesses more of a chance to grow because it would eliminate an extra layer of expense and effort which oftentimes is wasted because of a challenge by another who has previously registered or even just used its similar designs and logos.

The expense and effort of token use and then being challenged could be avoided with the "pre-use application" allowed by this bill. Senate bill 1883 should become law. It presents only advantages to all businesses, and in particular small businesses, and does not present any real burdens or hardships on anyone.

This bill will encourage the entrepreneurial spirit rather than discourage and thwart it as is sometimes the case under the present system.

Thank you.

[The prepared statement of Mrs. Fields and questions and answers follow:]

S. 1883 (DeCONCINI)

THE TRADEMARK LAW REVISION ACT

STATEMENT
OF
DEBRA J. FIELDS
PRESIDENT AND CHIEF EXECUTIVE OFFICER
MRS. FIELDS INC.

Subcommittee on Patents, Copyrights and Trademarks
Committee on the Judiciary
United States Senate
March 15, 1988

Thank you, Mr. Chairman, for the opportunity to present testimony in support of Senate Bill 1883, the Trademark Law Revision Act.

My name is Debra J. Fields, President of Mrs. Fields Inc. My company owns Mrs. Fields Cookies which bakes and sells cookies, brownies, muffins and other delicious confections in over 36 states, and overseas as well. My company also owns La Petite Boulangerie, a chain of specialty retail bakeries. It is on the basis of my experience in protecting my very valuable name and marks that I am enthusiastically supporting the changes in the U.S. Trademark Laws contained in S. 1883, and recommend that it be enacted at an early date.

The basic reason for my enthusiastic support is that the proposed legislation will do away with two very costly commercial risks which my business, and every other business large and small, runs into under the current Trademark Law. As this Committee is aware, the current law requires that a trademark actually be used in interstate commerce before an application to register can be filed. Making the labels, the containers, arranging the shipment, and creating that so-called "token" or "establishment" first use is expensive, and time-consuming. It is an expense which is most often made before the mark is even known to be available.

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Then, after the "token use" has been accomplished, an application is filed with the Trademark Office. That application can, and frequently does, run into conflicting marks, and even after the trademark owner gets past the application stage, when the mark is published for opposition in the Official Gazette, owners of potentially conflicting trademarks can oppose and block the registration and stop the use of the mark. Thus the trademark owner often learns of conflicting marks only after both the "token use" and the filing of the applications.

The risks inherent in the current system of requiring use before filing can be reduced, if not entirely eliminated by S. 1883. It is my understanding the proposed law will allow trademark users to file an application based on a real intent to use the mark, therefore avoiding "token use" expense. Then the new mark will go through the entire application process, including the opposition period, before the trademark owner has to incur the substantial expense of full trademark development and use. By clearing the opposition period, the risk of a conflicting mark blocking further use is also avoided.

If the pending legislation is especially helpful to any particular group, it would be the small business community. The new law will eliminate expensive business risks which small businesses can least afford to take. In other words, big business has the time and the money to put into market research and product development, to create the necessary "token" or "establishment" use of a new mark, and it can survive the shock of finding out after use and application that the new mark is totally unavailable. Big business can afford to repeat that entire process. On the other hand, a small company cannot afford the expense of creating a "token use" and trying to register a new mark only to find that the mark is already taken. The expense of the first try will frequently use up the small company's capital and its enthusiasm, and there will be nothing left to start the process over again.

Within the past month I had a specific example of how the proposed legislation would help my business. I asked my trademark counsel to file to register a proposed new mark. I was told, "Make a commercial use in interstate commerce and then I can file for you." How much more sense it would make for me to be able to file immediately, avoiding the expense of creating a "token use", and, not so incidentally, putting other companies on notice right away of my claim to the new mark. Then when my mark has cleared the hurdles of the Trademark Office examination and the publication in the Official Gazette, I know I can begin using that mark with very little risk of having to change it.

There are two additional provisions in S. 1883 which will, in my opinion, assist the business community, small and large. The first is the provision for removing trademarks that are no longer being used. It is my understanding that there are a tremendous number of trademarks on the Federal Register that are not being used. These unused marks on the Federal Register, if removed, would enlarge the number of trademarks available to new businesses. By reducing the term of a federal trademark registration from 20 years to 10 years, that will help clear the Register of unused marks. Additionally, by requiring actual, not just token, commercial use of a trademark before any registration issues, unused marks should not find their way to federal registration.

Secondly and very briefly, let me state my support for the provision which would prohibit "dilution" of famous marks. While at first blush that may sound like a provision simply to protect the marks of big business, to me it is only fair to protect from free-riding and dilution, all marks which have become famous. In addition, small businesses do not necessarily stay small. I am hopeful that my marks will qualify as "famous" and have the dilution protection of Senate Bill 1883 when passed. Certainly my name and marks are the most valuable assets of my company.

The above are my reasons for supporting Senate Bill 1883. I sincerely believe it should be enacted into law. It is common sense, and it makes good business sense, whether that business is large or small. Thank you, Mr. Chairman, for this opportunity to express my views.

Debra J. Fields

S. 1883 (DeCONCINI)

THE TRADEMARK LAW REVISION ACT

SUMMARY STATEMENT
OF
DEBRA J. FIELDS
PRESIDENT AND CHIEF EXECUTIVE OFFICER
MRS. FIELDS INC.

Subcommittee on Patents, Copyrights and Trademarks

The reason for my enthusiastic support of this proposed legislation is that it will do away with two very costly commercial risks which my business, and every other business large and small, runs into under the current Trademark Law. Making the labels, the containers, arranging the shipment, and creating that so-called "token" or "establishment" first use is expensive, and time-consuming.

After the "token use" has been accomplished, an application is filed with the Trademark Office. The mark is then published for opposition in the Official Gazette. Thus the trademark owner often learns of conflicting marks only after the "token use", the filing of the applications and publication.

The risks inherent in the current system of requiring use before filing can be reduced, if not entirely eliminated by S. 1883.

If the pending legislation is especially helpful to any particular group, it would be the small business community. The new law will eliminate expensive business risks which small businesses can least afford to take. A small company cannot afford the expense of creating a "token use" and trying to register a new mark only to find that the mark is already taken.

There are two additional provisions in S. 1883 which will, in my opinion, assist the business community, small and large. The first is the provision for removing trademarks that are no longer being used. The second is the provision which would prohibit "dilution" of famous marks. While at first blush the second provision may sound like a provision simply to protect the marks of big business, small businesses do not necessarily stay small. I am hopeful that my marks will qualify as "famous" and have the dilution protection of Senate Bill 1883 when passed. Certainly my name and marks are the most valuable assets of my company.

The above are my reasons for supporting Senate Bill 1883. I sincerely believe it should be enacted into law.

Mrs. Fields

March 29, 1988

Senator Dennis De Concini
United States Senate
Committee on the Judiciary
Washington, D.C. 20510-6275

Dear Senator De Concini:

I am in receipt of your gracious letter of March 17, 1988. I appreciated the opportunity to testify before the Subcommittee on Patents, Copyrights, and Trademarks on March 15, 1988. I look forward to reviewing the transcript of the hearing when it becomes available.

Attached are my responses to the questions you proposed in your letter of March 17. Again, thank you for this opportunity.

Very truly yours,

MRS. FIELDS INC.

Debra J. Fields
President

DJF/lw

Enclosure

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1. I would like to pursue the changes that are proposed in the area of intent to use. Current law requires that a company establish that the mark is actually in "use" within our commercial system. Companies can meet this requirement through what we know as "token" use. The proposed change would allow a business to register a trademark based on an "intent" to use. Could you explain how a company will be able to establish an intent to use a particular trademark?

Answer:

Intent to use could be established with nothing more than a sworn affidavit stating the intent to use and include specifics regarding the proposed type of use and the time frame within which actual use will occur. Intent to use could also be established or supported by a number of different methods, from the simple creation of letterhead, packaging or proposed sketches of a mark, to the more complicated and expensive token use as required by the present system.

2. If a company has to show that it is conducting market research or product testing in order to establish a genuine intent to use the trademark, then won't smaller companies be disadvantaged? They may not necessarily be equipped to do market research.

Answer:

The real advantages of this bill to smaller companies is the easy method and the minimal expense involved in establishing the intent use. Complicating the requirements for establishing intent will move the requirements of this bill toward the old system which this bill is trying to change and improve.

3. And likewise, won't smaller companies be at a disadvantage because, under the proposal, a company can reserve a trademark for up to 4 years? The smaller company, which may not have the resources for product testing, could be precluded from showing intent to use and may find itself up against big companies that can tie up trademarks on the basis of market research and intent to use. My question is, how can we be sure that smaller companies are adequately protected?

Answer:

If product testing is a requirement to establish intent to use, I agree, the smaller company could be precluded from showing intent to use and could find itself competing unsuccessfully against larger companies that are capable of tying up trademarks through the market research process. The smaller company could be protected and maintain its competitive ability if alternatives to market research were provided, i.e. affidavit of intent coupled with production of minimal evidences of use such as letterhead, wrappers, etc. The bill could also impose a requirement of use within a shorter period of time. Typically, I would expect that a smaller company would only consider the trademark process if it was prepared to move ahead with its business. The typical small company does not have the staying power to create an idea and then sit on it for extended periods of time, thus, it may be reasonable to allow companies to reserve a trademark up to four years if they did product testing or market research, but also, allow reservation of trademarks for a shorter period of time based on less complicated and less expensive representations and evidences of intent to use.

Senator DECONCINI. Thank you, Mrs. Fields.

Mr. Trexler?

STATEMENT OF C. DeFORREST TREXLER, DEPUTY GENERAL COUNSEL, MACK TRUCKS, INC., ALLENTOWN, PA

Mr. TREXLER. Good morning, Mr. Chairman and members of the subcommittee.

My name is DeForrest Trexler. I'm the deputy general counsel of Mack Trucks, Inc. Mack is headquartered in Allentown, PA, and since the very beginning of this century has been an integrated manufacturer of heavy-duty trucks and heavy-duty truck equipment.

During virtually that entire period our products have been marketed under the name Mack Trucks and under the bulldog symbol which has become universally recognized and associated with our products and with the characteristics and the quality of our products, not only in the United States, but throughout the world.

Consequently, Senator, trademark protection and any proposal to improve or strengthen that protection is of vital interest to my company. To that end, we wish to express our support of Senate bill 1883 entitled the Trademark Law Revision Act of 1987. We have previously submitted written comments on this measure which we ask become part of the record.

While Mack does support Senate bill 1883 in its entirety, there are three provisions of special interest to us which we believe will significantly improve the present law. I would like to make brief mention of those three provisions this morning.

First, section 3 of the bill would permit the filing of trademark applications on the basis of a verified intent to use. As has been mentioned by other speakers this morning, the present law requires actual use prior to filing. This has proven to be unsatisfactory and impractical in our case because it requires a substantial investment and product development and the association with a particular desired trademark without the assurance that that mark will be registered and ultimately will be available for use with the product.

As also has been mentioned by a prior speaker, the present law contains an anomaly in that foreign companies can obtain U.S. registration by virtue of foreign trademark laws which do recognize intent to use. Thus, foreign manufacturers are given an advantage under our own law which is not afforded to U.S. competitors.

Second, I would like to call your attention to section 28 of the bill which will make actionable misrepresentations and product disparagement and will provide a remedy for those infractions. From our point of view, the automotive replacement parts business is especially susceptible to this type of misrepresentation. So-called "will fitters" sell goods which many times are of foreign origin and of inferior quality, and this not only is a detriment to the original equipment manufacturer, but also to the unwary customer.

Fortunately, our Federal courts have chosen to interpret the existing law in a manner which is favorable to us. However, we think it would be a great advantage to have these existing Federal court decisions codified which will be accomplished by the enactment of section 28 of the bill.

Third and finally, we refer to section 29 of the bill which would provide antidilution protection for famous and distinctive trademarks, in which we believe Mack Trucks and the bulldog symbol are included.

Some 20-odd States at the present time do have antidilution laws including our corporate domicile of Pennsylvania. Most of those laws are of broader effect than that contained in Senate bill 1883. Nevertheless, we do feel that the enactment of this measure would be of an advantage because it would give a Federal law of uniform application throughout the United States.

Senator, again we wish to thank you for this opportunity. We appreciate it and we, once again, indicate our support for the enactment of Senate bill 1883.

[The prepared statement of Mr. Trexler and questions and answers follow:]

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C. DeFORREST TREXLER
DEPUTY GENERAL COUNSEL

AREA CODE 215
439-3181

March 9, 1988

The Honorable Dennis DeConcini, Chairman
Subcommittee on Patents, Trademarks and Copyrights
327 Hart Senate Office Building
Washington, D.C. 20510

Re: Trademark Law Revision Act of 1987 (S. 1883)

Dear Senator DeConcini:

Mack Trucks, Inc. ("Mack") wishes to express support for Senate Bill S. 1883, entitled "The Trademark Law Revision Act of 1987," which we believe will update and improve the existing Federal trademark statute, the Lanham Act, enacted in 1946. Our support for this measure already has been indicated by Mr. John B. Curcio, Chief Executive Officer of Mack, in his letter to you dated March 3, 1988.

By way of introduction, Mack is headquartered at Allentown, Pennsylvania. Since the beginning of this century we have been an integrated manufacturer of heavy duty trucks and heavy duty truck components. Mack presently employs approximately 9,500 persons in the United States, primarily at our major manufacturing and assembly facilities in Pennsylvania, Maryland, and South Carolina. Mack products are sold through company-owned branches, distributors, and service dealers in all 50 states and in about 63 foreign countries. Annual sales are in the range of 1.8 billion dollars.

This company has used the MACK trademark since its inception in 1901, and has used the Bulldog trademark since about 1921. Our trademarks are considered to be among our most valuable assets. Substantially all of our sales are made under the MACK trademark and most of our products also are sold under or in connection with the Bulldog trademark, a symbol which appears on the front of every Mack truck sold throughout the world. Mack owns approximately 100 U.S. trademark registrations and applications, and 500 trademark registrations and applications in 114 foreign countries, dating back to 1921, when Mack's first registration was obtained.

We support all of the provisions of S. 1883 in their entirety because we believe they clarify the law in many areas, and are basically fair to our own interests, as well as to the truck and automotive industries, customers, and the public generally. There are, however, three provisions of S. 1883 which would be particularly beneficial to our company and to companies similarly situated. These provisions are:

1. Section 3, which provides for the filing of applications based on either actual use or intent to use;

2. Section 28, which amends section 43(a) of the Lanham Act to make actionable false advertising, misrepresentations, false descriptions, disparagement and tarnishment of trademarks, company names and/or the reputation of trademark owners; and

3. Section 29, which affords protection of famous and distinctive marks from dilution, or the whittling away of the distinctiveness of a trademark, through use by others for non-related goods or services, which may not be actionable under the present trademark law.

From our point of view, Section 3 represents a substantial improvement in the statutory treatment of trademarks. It enables a person to apply for registration of a trademark, meet objections which the trademark examiner may have stemming from legal requirements or existing registrations, and then publish the application to clear possible objections by other users of the same or similar trademarks before actually commencing use of the new trademark. All of the trademark obstacles would be cleared before launching an expensive advertising campaign to introduce a new product with the trademark rights dating back to the filing of the application. If an unforeseen problem develops with use of the desired trademark, it can be resolved or another trademark can be selected before the investment is made in the advertising and promotional campaign to introduce the new product.

We view as unsatisfactory the practice of some businesses under the present trademark law of creating a fictitious or token use for purposes of trademark application in advance of full scale introduction of the trademarked product in the commercial market. Token use is not readily adaptable to industries which produce heavy duty trucks or industrial machinery with unit costs of many thousands of dollars. Moreover, we are hesitant to base our trademark rights on the contrivance of token use which may be open to subsequent challenge.

Moreover, adoption of the intent-to-use concept embodied in S. 1883 will not result in the banking of large numbers of unused trademarks because of the requirement that the applicant file a verified statement of a bona fide intent to use and a verified statement of actual use in commerce within six (6) months after issuance of a notice of allowance.

We are advised that under a recent interpretation of the Lanham Act, foreign trademark owners, who can obtain registrations in their own countries based on intent to use, may obtain registration in the United States without actual use of the trademark either in the United States or in a foreign country. The effect is to give foreign manufacturers legal rights American manufacturers do not enjoy. Many of our competitors in the heavy duty truck business, are foreign manufacturers, such as Volvo and Mercedes-Benz. It seems inconceivable that Congress would fail to take immediate corrective action with respect to a law which gives foreign manufacturers a legal advantage in the United States over American manufacturers. We are not aware of any foreign country which gives American companies superior trademark rights over manufacturers based in that country.

Section 28 of S. 1883 specifically enumerates the conduct which would give rise to a cause of action under Section 43(a) of the Lanham Act, and more definitely outlines the unfair competition which is proscribed. Section 43(a) has been applied by the courts against false advertising and other unfair trade practices. We believe that it is important to codify this existing case law which provides remedies for unfair competition with respect to trademark usage and to specify some of the unfair trade practices prohibited by Section 43(a).

In the truck industry, as well as in the automotive industry generally, the replacement parts business is very susceptible to misrepresentations as to the source of the goods, purported relationship with the OEM (Original Equipment Manufacturer), and product quality. Under present laws, OEM parts may be copied by "willfit" suppliers, who do not have a warranty responsibility for the engine, other components, or the vehicle in which the parts may be used. Warranties of engines and other truck components may be voided by the unknowing use and failure of parts misrepresented to be "genuine" or OEM parts or "genuine or OEM quality parts" and purchased by an unwary customer. Moreover, vehicle safety may be adversely affected by the use of parts, many of foreign origin, which are ostensibly similar, but actually of inferior quality or different design tolerances. Legislation is needed to restrict the advertising statements of unscrupulous replacement parts manufacturers and dealers. We believe that Section 28 of S. 1883 will be helpful in this area and is needed in controlling misrepresentations, half-truths and other unfair trade practices in the automotive replacement parts business.

In connection with Section 28(c), we think that it is important to include a provision to enable a trademark owner to prevent disparagement or tarnishment of a trademark or business reputation under the guise of a parody, which suggests insidious associations with a person or company's name or trademark to its economic detriment.

Concerning Section 29 of S. 1883, the protection of famous trademarks from dilution is important to Mack, since we believe that the name "Mack" combined with "trucks," and the name "Mack" combined with a bulldog, would qualify for protection as famous trademarks, and thus would be protected from dilution, or the whittling away of the distinctive quality of these trademarks. The Commonwealth of Pennsylvania, where our principal offices are located, currently has an anti-dilution law which is not specifically limited in application to famous trademarks and thus affords even broader protection to our company than would S. 1883. There are some twenty other states in which similar anti-dilution laws have been enacted. Nevertheless, we believe that it would be desirable to have some form of federal anti-dilution law to protect registered trademarks against dilution in all of the United States. Uniformity in the anti-dilution law throughout the country would reduce the tendency towards forum shopping.

We are most appreciative of this opportunity to express our comments in support for the enactment of S. 1883.

Respectfully submitted,

C. DeForrest Trexler
Deputy General Counsel

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March 28, 1988

The Honorable Dennis DeConcini, Chairman
Subcommittee on Patents, Trademarks
and Copyrights
327 Hart Senate Office Building
Washington, D.C. 20510

RE: **Trademark Law Revision Act of 1987 (S. 1883)**

Dear Senator DeConcini:

This will respond to the three questions posed by Senator Grassley which were transmitted with your letter of March 17, 1988.

Question 1: I would like to pursue the changes that are proposed in the area of intent to use. Current law requires that a company establish that the mark is actually in "use" within our commercial system. Companies can meet this requirement through what we know as "token" use. The proposed change would allow a business to register a trademark based on an "intent" to use. Could you explain how a company will be able to establish an intent to use a particular trademark?

Answer: Under S.1883, Section 3, a person who has a bona fide intention to use a trademark may apply for registration of the trademark by filing an application verifying the "applicant's bona fide intention to use the mark in commerce." No pre-requisite acts are necessary to establish the intent to use other than the verified statement of the applicant's bona fide intention to use the mark. The registration would not be granted, however, until after the applicant has met the requirements of Section 13(b)(2) of S.1883 by filing a verified statement that the mark is in use in commerce, accompanied by specimens or facsimiles of the mark as used. The purpose of permitting the filing of an application based on intent to use a trademark is to give the applicant the opportunity to determine possible obstacles to registration and to establish preliminary rights in the trademark before the trademark owner has committed the expenditures necessary to commence actual commercial use of the trademark.

For example, when a new product is developed by Mack Trucks, Inc., several trademarks would be given preliminary consideration and screened by trademark searching, etc., until one or two marks are chosen. While the new product is under development, an application to register the chosen mark would be filed with a verified intent to use statement. If cleared by the Trademark Office, trademark registration would be issued when the new product is ready to be introduced on the market. If the mark is not cleared by the Trademark Office, an application to register the second choice trademark would be filed, and hopefully cleared by the Trademark Office before the new product is to be introduced.

Question 2: If a company has to show that it is conducting market research or product testing in order to establish a genuine intent to use the trademark, then won't smaller companies be disadvantaged? They may not necessarily be equipped to do market research.

Answer: There is no requirement under S.1883 that an intent to use applicant must conduct market research or product testing. Under the present U.S. trademark law, where various token use systems are used to meet the use prior to application filing requirement, larger companies are at an advantage since they would be more likely to file sufficient numbers of trademark applications and have developed legally adequate token use systems, which require a certain level of sophistication. To this extent, I believe that smaller companies are disadvantaged under the present system because they would not file trademark applications and have developed token use systems for their particular goods or services, and thus are forced to delay the filing of their applications until after the date of their first commercial use of the new trademarks. Smaller companies would not be so disadvantaged under the system proposed by S.1883. All that is required for the filing of an application under S.1883 would be a verified statement of bona fide intent to use, which does not entail the implementation of a sophisticated token use system.

__Question 3:__ And likewise, won't smaller companies be at a disadvantage because, under the proposal, a company can reserve a trademark for up to 4 years? The smaller company, which may not have the resources for product testing, could be precluded from showing intent to use and may find itself up against big companies that can tie up trademarks on the basis of market research and intent to use. My question is, how can we be sure that smaller companies are adequately protected?

__Answer:__ I believe that this question is partially answered by my answer to Questions 1 and 2. Larger companies probably engage in more market research and product testing prior to introduction of a new product. Because of the delay that this entails, they would be more likely to establish token use systems to obtain trademark registration prior to actual use, i.e., while they are doing the market research and product testing, which they consider necessary prior to commencement of actual use. There is no requirement, however, under the present law or under S.1883, that a company conduct market research or product testing prior to use or application for registration of the trademark. Under the provisions of S.1883, a small company could tie up a trademark in the same manner that a large company could tie up a trademark, i.e., by filing an application based on a verified statement of bona fide intent to use, and hence I believe that a smaller company is not disadvantaged by the S.1883 intent to use provisions. A larger company perhaps would be less restricted by the cost of filing multiple intent to use applications, but the requirement that the intent to use be "bona fide" would prevent both large and small companies alike from legally tying up the trademarks which they have no actual intention of using. Perhaps a smaller company with less corporate bureaucracy and approval procedures could formulate a bona fide intent to use easier than a large company.

I trust that the foregoing answers will be responsive to Senator Grassley's questions.

Very truly yours,

C. DeForrest Trexler
Deputy General Counsel

CDT:hjc

Senator DeConcini. Thank you, Mr. Trexler. These are helpful points that you underscore.

Mr. Hedden?

STATEMENT OF HERBERT A. HEDDEN, ASSISTANT DIRECTOR OF GOVERNMENT RELATIONS, INTERNATIONAL FRANCHISE ASSOCIATION, WASHINGTON, DC

Mr. Hedden. Mr. Chairman, I would like to thank you and the members of the subcommittee for the opportunity to appear before you today to express the support of the International Franchise Association for S. 1883, the proposed revision of the Lanham Act.

For the record, my name is Herbert A. Hedden. I am assistant director for government relations of the International Franchise Association. IFA is a trade association representing more than 650 business format franchisors. IFA has served as the voice of the franchising community since 1960 and takes a special interest in laws and regulations affecting franchising.

I have submitted for your consideration a more detailed statement which I request be entered into the complete hearing record.

Senator DeConcini. It will so be entered following your oral presentation.

Mr. Hedden. Thank you.

Today, however, I'd like to summarize just a few of the main points of that testimony.

Distribution of goods and services through franchising represents a vital segment of the American economy. According to the U.S. Department of Commerce, retail sales generated by franchised establishments already account for more than one-third of all retail sales in the United States. This proportion is expected to rise from 34 percent this year to more than 50 percent by the turn of the century.

Franchised sales of goods and services reached an estimated $599 billion in 1987 and are expected to reach in excess of $640 billion this year, an increase of 7 percent. Franchising directly employed approximately 7 million people in 1987 and is expected to provide employment for more than 7.3 million persons in 1988. The number of franchised outlets in the United States is expected to grow from 479,000 in 1987 to 509,000 in 1988.

It is important to note that franchising's greatest growth and its expansion into many additional service industries has taken place since 1970, over two decades since the original enactment of the Lanham Act. The improvements and modernization of the law provided by S. 1883 will go far to adapt trademark law to present-day business practices in franchising as well as future trends, none of which were likely to have been contemplated by the original drafters of the Lanham Act.

Most franchise systems involve the sale of services as opposed to goods. Examples of some franchised businesses marketing services are equipment rental businesses, business tax services, automotive services, printing and photocopying services, real estate offices, and travel agencies.

Attached to my statement is a list of the industry categories represented by our member franchisors in 1987. You will note that the list includes over 60 different industries involved in franchising, many of which are marketing services.

Success in franchising is based largely on building a system delivering to the consumer a product or service at a consistent level of quality. At the heart of any successful franchise system are its trade identity and its trademarks. Protection of a trademark is vital to the continuing health of any franchise system. A strong trademark legal system protects the investment of both the franchisor and the franchisee. The trademark also enables consumers to distinguish between competitors, facilitating consumer choice, preventing confusion, and minimizing deception.

I'm here today representing a trade association which has as its members a few large corporations and a host of small businesses. The majority of franchisors are small businesses. In these franchise systems are over 500,000 franchisees, all of which are small businesses.

The legislation would have a number of beneficial effects on franchising, including the following:

The intent-to-use system will eliminate the necessity of contrived "token use" shipments. Because franchise companies marketing services have a particularly difficult time making these "token use" shipments, the new law will represent a major positive change in trademark registration procedures for franchisors.

The intent-to-use system of filing trademark applications will especially benefit service businesses involved in franchising. Because many franchise systems involve the marketing of services, this provision will have a positive effect on many franchise companies.

S. 1883 will provide that trademark rights date from the filing of the application as long as actual use is commenced at some point in the future and a registration eventually issues. This would reduce the potential of geographical fragmentation of trademark rights, a situation which would be devastating to franchisors trying to market a service across the Nation.

The stronger trademark system resulting from this legislation will better protect the investments of the more than 2,000 franchisors and the more than 500,000 franchisees.

Mr. Chairman, the International Franchise Association enthusiastically supports passage of this legislation. Thank you.

[The prepared statement of Mr. Hedden and questions and answers follow:]

TESTIMONY OF
HERBERT A. HEDDEN
OF THE INTERNATIONAL FRANCHISE ASSOCIATION
BEFORE THE
SUBCOMMITTEE ON PATENTS, COPYRIGHTS AND
TRADEMARKS
OF THE
UNITED STATES SENATE COMMITTEE ON THE JUDICIARY
CONCERNING S. 1883 (LANHAM ACT REVISIONS)
MARCH 15, 1988

Mr. Chairman, I would like to thank you and the members of the Subcommittee for the opportunity to appear before you today to express the support of the International Franchise Association (IFA) for S. 1883. For the record, my name is Herbert A. Hedden. I am Assistant Director for Government Relations to the International Franchise Association, a trade association representing more than 650 business-format franchisors. IFA has served as the voice of the franchising community since 1960 and takes a special interest in laws and regulations affecting franchising.

The Role of Franchising in the American Economy

Distribution of goods and services through franchising represents a vital segment of the American economy. According to the United States Department of Commerce, retail sales generated by franchise establishments already account for more than one-third of all retail sales in the United States. This proportion is expected to rise from 34% in 1988 to 50% near the turn of the century. Franchised sales of goods and services reached an estimated $599 billion in 1987 and are expected to reach in excess of $640 billion in 1988. Franchising directly employed approximately 7 million people in 1987 and is expected to provide employment for more than 7.3 million persons in 1988. The number of franchise outlets in the United States is expected to grow from 479,000 in 1987 to 509,000 in 1988.

According to the United States Small Business Administration, fully 65 percent of new business start-ups fail within their first five years. By contrast, less than five percent of the franchisee-owned outlets are discontinued on an annual basis. Franchising by its very nature promotes the establishment of new small businesses and new jobs.

Franchising in the United States has its roots in the nineteenth century in the form of government grants to public utilities. It was first employed by the private sector in the years after the Civil War when the Singer Sewing Machine Company granted their army of traveling salesmen exclusive territories to sell sewing machines. It was not until the 20th century, however, that franchising as a method of distributing goods and services really began to flourish.

The expansion and diversification of franchising was especially pronounced in the post World War II years and was accelerated by the demands and opportunities brought about by a booming economy. It provided an alternative means of supplying goods and services to a country experiencing enormous growth in population, income, and marketing opportunities.

Throughout the 1950s and 1960s an abundance of franchises emerged dealing with a variety of goods and services, including restaurants, fast foods and grocery stores, gasoline service stations, automobile dealerships, and motel and hotel chains.

It is important to note that franchising's greatest growth, and its expansion into many additional service industries, has taken place since 1970, over two decades since the enactment of the Lanham Act in 1946. The improvements and modernization of the law provided by S. 1883 will go far to adapt it to present day business practices in franchising as well as future trends, none of which were likely to have been contemplated by the drafters of the Lanham Act.

Most franchise systems involve the sale of services, as opposed to goods. Examples of franchised businesses which market services are equipment rental businesses, business services, automotive services, printing and photo copying services, real estate offices and travel agencies. Attached to this statement is a list of the industry categories represented by IFA member franchisors in 1987.

The growth in the use of franchising as a method of distribution in the service sector is expected to continue in the future. Futurist John Naisbitt, author of Megatrends, in his study, The Future of Franchising, focused on the importance of the franchising service sector: "Franchising has long been at the forefront of the service sector...Virtually all franchises are service-related...[F]ranchising itself is a service in that it offers a service from franchisor to franchisee." He predicts that "By the year 2000...[a]lmost any service imaginable will be franchised." As will be noted later in this statement, the improvements in the trademark law envisioned in S. 1883 would be especially helpful to businesses in the service sector, enabling them to better protect their trademarks.

Success in franchising is based largely on building a system delivering to the consumer a product or service at a consistent level of quality. At the heart of any successful franchise system is its trade identity and its trademarks. A franchise system with a prominent trademark enjoys the instantaneous recognition and goodwill of the consuming public. Thus, possession, as well as the widespread use and continuing promotion, of a trademark by the franchisor, as well as the franchisees in the system, is one of the major benefits of a franchise program which may attract a prospective franchisee. Protection of a trademark is vital to the continuing health of any franchise system. A strong trademark legal system protects the investment of both the franchisor and the franchisee. Finally, but just as critical a consideration, the trademark is the key identifying symbol of the franchise system for the consumer. The trademark enables consumers to distinguish between competitors, facilitating consumer choice, preventing confusion and minimizing deception.

Although many of the more prominent franchisors are large corporations, by far the majority of franchise companies are small businesses. A strong trademark legal system benefits companies, regardless of size; however, such a system especially benefits smaller firms which are less well-equipped to survive a loss or diminution of trademark rights or protection. In addition, these firms are less able to afford large outlays of legal expenditures to protect their marks. S. 1883 will have the likely effect of "leveling the playing field" for small franchisors and regionally-based franchisors attempting to protect their trademarks.

Effects of S. 1883 on Franchising

The most important proposed revision of the law in S. 1883 is the institution of a dual basis system for the filing of applications to obtain federal trademark registration. Currently, applications may only be based on prior use, which is considered an outdated system. The proposed enhancement to the Lanham Act would allow the alternative of filing applications based upon a bona fide intention to use. Registration would issue only after a declaration of actual use with specimens has been filed and approved.

This would be a positive, commercially sound procedure for establishing trademark rights. It would not alter the fundamental principles of U.S. trademark law which are based upon rights accruing from use. Moreover, the proposed system would reduce the advantage that foreign companies currently enjoy in that they can obtain U.S. trademark registrations without proving use.

An intent-to-use basis would make the American trademark system more realistic and honest by eliminating the necessity for contrived "token use" shipments. Currently, these shipments are the only way of attempting to protect rights during the start-up stages of a business. This is extremely crucial to service businesses, and thus the majority of the franchise community, because it is exceedingly difficult in many circumstances to implement this marginally acceptable "token use" of services. Under current practices, prior to filing an application, a start-up service business must actually begin use of its business under a name for which it has no guarantee nor certainty of ever being able to register or use. A significant proportion of new service businesses are created by small entrepreneurs who can ill afford to suffer the consequences of starting a business under a particular name only to find out it is unprotectable or unusable in certain parts of the country. This risk is only compounded in the franchise situation where franchisees are depending upon the value of the system's name and trademarks when making their investment in the franchise system.

The provisions of S. 1883 address another defect in the current use-based system which unnecessarily increases the inherent risks in adopting new trademarks. Currently, whether an application is based upon token use or actual use, the filing does nothing to eliminate one frequent problem: prior to the application maturing into a registration, which sometimes can take several years, another party in another part of the country can begin use of the same or similar mark on similar services or goods and preclude the applicant and first user from expanding into the territory of the second user. This is extremely unfair and inequitable to those small starter businesses.

A major contribution of S. 1883, therefore, is the provision which would accord rights dating from the filing of the application, as long as actual use is commenced at some point in the future and a registration eventually issues. This concept of "constructive use" would thus reduce geographical fragmentation of trademark rights and eliminate its devastating consequences to franchisors, especially small ones in start-up phases, and their franchisees. This will encourage investment by bringing more certainty into the trademark protection process. Additionally, by providing superior benefits, greater use of the trademark registration system will be encouraged which will, in turn, make it easier to become aware of the existence of the trademark rights of others.

Over the years, it has become increasingly difficult to develop and adopt new names for services and goods. This is especially true in service industries where there are many small businesses throughout the country. S. 1883 will improve the climate for creating and securing rights in new names by proposing changes in the length of the registration term, stricter requirements for retaining registrations and new definitions of use. These positive steps will enlarge the pool of available marks for businesses to adopt, use and register, thereby streamlining the process and reducing the possibility of legal conflicts. Among the positive results will be the elimination of many unnecessary costs and other barriers to entry.

An integral part of any trademark system is protection of one's rights from unfair competition. S. 1883 proposes to conform the language of present Lanham Act Section 43(a) to the expanded scope of protection which has been applied by the courts to date. The proposed revision will provide the courts with a clearer basis for interpreting trademark and unfair competition law and for resolving disputes. Many attributes of franchising have been protected under Section 43(a), and these changes are welcome. Moreover, the proposed enhancements to Section 43(a) clarify the fact that any false representations by a competitor should be actionable, clarify the remedies which are available, and protect trademarks from disparagement by others -- all extremely welcome developments.

S. 1883 contains an additional proposal for the protection of marks which are both truly distinctive and famous, often referred to as protection from dilution. Federal uniformity in a situation where not all states have such laws would be welcome as an additional means of providing incentive to investment and reducing the risks of uncertain legal protection. The dilution remedy will be available to many small service businesses with distinctive marks which may not have the resources to deal with the dilution of their marks in various parts of the country.

Briefly, I would note that there are many other positive refinements and enhancements in S. 1883 of definite benefit to the franchising community. For example, with the escalating activity of mergers, acquisitions and leveraged buy-outs, there is a critical need for certainty in obtaining security interests in trademarks. S. 1883 would amend the Lanham Act to include provisions for obtaining and clarifying the nature of security interests, a welcome improvement to the current situation. Many of the proposed revisions to the various statutory definitions positively benefit the franchising community in that they reflect well thought-out proposals based upon changed commercial realities and current business practices.

The proposed revisions are a significant and comprehensive modernization of our federal trademark law which will have a positive impact upon American franchising as a whole, including large and small businesses and franchisors as well as franchisees. The end result will be increased inducements for investment, by decreasing risks and costs. There will be benefits for the American consumer by reducing potential confusion from unfair competition and trademark misuse. Finally, S. 1883 will require no additional expenditures of tax dollars to implement. For all of these reasons, IFA enthusiastically supports passage of S. 1883.

Thank you very much.

IFA INDUSTRY CATEGORIES FOR FRANCHISORS - 1987

Accounting/Tax Services
Advertising/Direct Mail
Auto and Truck Rentals
Automotive Products and Services
Beverages
Book Stores
Business Aids & Services
Business Brokers
Campgrounds
Children's Services
Clothing and Shoes
Computer/Electronics
Construction: Materials, Service & Remodeling
Convenience Stores
Cosmetics
Drug Stores
Educational Products and Services
Employment Services
Equipment and Supplies: Rental
Florist Shops
Food: Baked Goods/Donuts/Pastry
Food: Candy, Popcorn, Snacks
Food: Ice Cream/Yogurt
Food: Restaurants
Food: Specialty
Formalwear Rental
Hair Salons and Services
Health Aids and Services
Heating and A/C Controls/Wholesale
Home Appliance: Sales, Rental & Repair
Home Furnishings: Retail and Services
Home Inspection
Hotels and Motels
Insurance
Jewelry
Laundry and Dry Cleaning
Lawn, Garden and Agricultural Supplies, Services
Maid and Personal Services
Maintenance, Cleaning & Sanitation
Multiple Services
Optical Aids and Services
Package Preparation/Shipment/Mail Services
Pet Sales & Supplies
Photography and Supplies
Printing/Photo Copying Services
Publications
Real Estate Services
Recreation: Equipment and Supplies
Recreation: Exercise, Sports and Services
Residential Energy Conservation
Security Systems
Specialty: Retail
Stained Glass/Supplies
Stores: Retail Variety
Telecommunications Services
Tools and Hardware
Transportation Services
Travel Agencies
Video Sales and Rentals
Vitamin and Mineral Stores
Water Purification
Weight Control

EXECUTIVE SUMMARY
TESTIMONY OF
HERBERT A. HEDDEN
OF THE INTERNATIONAL FRANCHISE ASSOCIATION
BEFORE THE
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AND TRADEMARKS
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CONCERNING S. 1883 (LANHAM ACT REVISION)
MARCH 15, 1988

Distribution of goods and services through franchising represents a vital segment of the American economy. Sales by franchised establishments is expected to represent 50% of all retail sales by the turn of the century.

Success in franchising is based largely on building a system delivering to the consumer, a product or service at a consistent level of quality. At the heart of any successful franchise system is its trade identity and its trademarks.

S. 1883 will have a number of beneficial effects on franchising, including:

- The intent-to-use system of filing trademark applications will especially benefit service businesses attempting to protect their trademarks. Because many franchise systems involve the marketing of services, this provision will have a positive effect on many franchise companies.

- The intent-to-use system will eliminate the necessity of contrived "token use" shipments Because franchise companies marketing services have a particularly difficult time making "token use" shipments, the new law will represent a major positive change in trademark registration procedure.

- S. 1883 would provide that trademark rights date from the filing of the application, as long as actual use is commenced at some point in the future and a registration eventually issues. This would reduce the potential of geographical fragmentation of trademark rights, a devastating problem for franchise system.

- The stronger trademark system resulting from S. 1883 will better protect the investments of the other 2000 franchisors and 500,000 franchisees.

- American consumers will benefit by the reduction of potential confusion from unfair competition and trademark misuse.

For these and a number of other reasons, the International Franchise Association enthusiastically supports passage of S. 1883.

INTERNATIONAL FRANCHISE ASSOCIATION
IFA

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President and Chief Operating Officer

Biography of Herbert A. Hedden

Herbert A. Hedden is Assistant Director for Government Relations for the International Franchise Association (IFA). He also serves as Editor of Franchise Legal Digest and liaison to IFA's Franchisee Relations Committee.

A native of Charlotte, North Carolina, Mr. Hedden previously served as legislative aide to United States Senator John Glenn (D-Ohio) and as National Delegate Director of Senator Glenn's 1984 presidential campaign. In 1981-82, Mr. Hedden was Research Director for the Democratic National Committee's Commission on Presidential Nominations. He is a graduate of the University of North Carolina at Chapel Hill with a Bachelor of Science degree in Business Administration and holds a Masters degree in Public Policy from the John F. Kennedy School of Government at Harvard University.

* * *

International Franchise Association

The International Franchise Association (IFA) is the oldest and largest organization representing franchisors. Founded in 1960, IFA has more than 700 member and affiliate companies and association members. To carry out its work, IFA maintains 12 offices in key commercial centers worldwide.

IFA is a resource center for both current and prospective franchisors and franchisees, as well as government and the media. IFA publishes Franchising World magazine and other publications, sponsors seminars, trade shows and trade missions, and produces audio and videotapes. IFA is responsible for the creation of the IFA Educational Foundation, the Council of Franchise Suppliers and the Council of Multinational Franchisors and Distributors. All IFA members have pledged to adhere to the strictest financial and ethical standards.

For additional information on IFA or franchising, contact Buzzy Gordon at (202) 628-8000.

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MEMORANDUM

TO: The Honorable Charles E. Grassley

FROM: Herbert A. Hedden, Assistant Director of Government Relations

DATE: March 29, 1988

RE: Responses to Questions on S. 1883

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1. I would like to pursue the changes that are proposed in the area of intent to use. Current law requires that a company establish that the mark is actually in "use" within our commercial system. Companies can meet this requirement through what we know as "token" use. The proposed change would allow a business to register a trademark based on an "intent" to use. Could you explain how a company will be able to establish an intent to use a particular trademark?

Response: The key element in establishing an applicant's "intent" to use a trademark is that the intent be "bona fide". This concept of "good faith" is a well known concept in the law, and, moreover, is one familiar to businessmen as it frequently appears in contractual and other relationships. It would be an exercise in futility for the law to attempt to completely enumerate in advance specific concrete items demonstrating bona fide intent, but intent could readily be determined by examining all the relevant facts in a particular situation. Trademark applications will still have to be executed under penalty of law if fraudulent, and there is no reason to believe the proposed new system will result in any widespread or systematic fraud. The fact remains that almost all jurisdictions in the world require nothing more prior to filing than what is proposed in S. 1883. Moreover, contrived token use under the present system is usually much more difficult for smaller businesses than larger businesses to implement, especially service businesses. Contrived token use can conceivably give rise to a disrespect for the law and is a greater impediment than demonstrating bona fide intent.

2. If a company has to show that it is conducting market research or product testing in order to establish a genuine intent to use the trademark, then won't smaller companies be disadvantaged? They may not necessarily be equipped to do market research.

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Response: It will not be necessary under the proposed system to provide evidence of such activities as market research or testing in order to establish bona fide intent. Although these types of items would undoubtedly be accepted as satisfactory evidence, bona fide intent will be determined from an evaluation of all the relevant circumstances, which, of course, would include the size of the applicant's business and what would be appropriate for its scope, type of product or service, competitive situation, channels of trade and the like. Once again, it will be easier, quicker and cheaper for smaller businesses to establish trademark rights and protect their future investment under the proposed system than under the present token use system.

3. And likewise, won't smaller companies be at a disadvantage because, under the proposal, a company can reserve a trademark for up to 4 years? The smaller company, which may not have the resources for product testing, could be precluded from showing intent to use and may find itself up against big companies that can tie up trademarks on the basis of market research and intent to use. My question is, how can we be sure that smaller companies are adequately protected?

Response: As noted in the previous answers, smaller companies will not be precluded from satisfying the intent requirements by an inability to expend resources. The proposals contain no bias toward larger companies, either in the proposed law or the legislative history to date. As noted, eliminating token use removes an advantage of large companies better equipped to conduct such systematic programs under the current law and practice, thus putting smaller businesses on an equal footing with large businesses. Right now, based on token use, a company can tie up a trademark in perpetuity. Under the proposed revisions, such "deadwood" will eventually be eliminated.

Senator **DeConcini**. Thank you.

I have one general question for all of you, if you would just quickly comment as to where you're coming from on this.

Mrs. Fields, maybe your statement covered it. However, starting with you, Mr. Kranzow, how often has your company or organization or association actually gone and put together your product and started to use it and then filed and found that there was already a trademark? What do you do to avoid that? You obviously must search it. How does that work?

Mr. **Kranzow**. From my company's standpoint, we've been quite fortunate, I think owing to very efficient trademark counsel, which at one point was me——

[Laughter.]

Senator **DeConcini**. No wonder it's such a success. I understand. [Laughter.]

Mr. **Kranzow**. In point of fact, we adopt many, many trademarks in the course of a year because we have introduced many products, most of which achieve less fame than our more famous ones. Nevertheless, those searches are very extensive. We search public and private registers throughout the country. We employ various agencies to do the searches. We labor mightily to come up with trademarks and search many before we find one that's suitable.

Rarely have we been in the market with a great deal of money invested. I recall once a serious problem years ago in the soft drink business when I think we had $2.5 million in the can, as they say on commercials, before we encountered serious opposition. The settlement there was costly but successful.

But there are many, many instances in which we search and search and search before we ever get to a mark.

Senator **DeConcini**. If you're starting a new product, what kind of time would you spend searching for that now and what might it cost, if you can give me any kind of idea?

Mr. **Kranzow**. I have a difficult time telling you the modern costs, but I can say it's thousands and thousands of dollars.

Senator **DeConcini**. Thousands of dollars. Is it about 2 months or 2 years or——

Mr. **Kranzow**. Two months would be fast unless we get very lucky.

Senator **DeConcini**. Six months?

Mr. **Kranzow**. The marketing people generally would like it in 2 weeks, but, as a practical matter, by the time we really get down to searching through a couple dozen marks and working our way through and then discarding those which are unacceptable for one reason or another, we go through—it's months and many dollars. The adoption process is very costly and time consuming. That's why I think that elimination of deadwood from the register will be helpful, so that when you get a trademark search you know—or you have a very good idea—that the marks that you find actually are in use.

Senator **DeConcini**. Yes.

Mrs. Fields?

Mrs. **Fields**. First of all, we have never been rejected. However, we do go through a very thorough research effort first and foremost.

Senator DeConcini. How do you do that?

Mrs. Fields. Primarily by having an attorney do all of the work for us to investigate whether or not we can even proceed. Therefore, it is costly to start on that basis.

From there, it takes approximately, I would say, 6 months——

Senator DeConcini. To do a thorough search or as good as can be done?

Mrs. Fields. We'll bring something to the trademark presentation status. The difficulty that we face is that once we get clearance and we know that the research has been done and we can proceed, I think the greatest difficulty, at least for small business, has been trying to create a token use and then sending it through the interstate system where I send it to a different State, and I'm technically not using it but I have to create a token use for it. I think that that's where it becomes very costly and very time consuming.

Senator DeConcini. Thank you.

Mr. Trexler, do you have any comment to that?

Mr. Trexler. Senator, we also have been rather fortunate in not having a mark rejected. We also contract with trademarks counsel to have a very extensive search made before we decide on the use of a mark.

In our industry tokenism is not very acceptable, very adaptable. Therefore, we do not proceed unless we are pretty confident that the mark that we adopt for our product will be able to be registered. As I said, thus far, based on these very exhaustive, preliminary searches, we have not had a problem develop.

Senator DeConcini. Mr. Hedden, how about your 650 members?

Mr. Hedden. I have William Finkelstein, who is counsel for Pizza Hut, Taco Bell, and Kentucky Fried Chicken, with me at the table. With your permission, I would like to refer the question to him.

Senator DeConcini. Sure. Would you identify yourself, please?

Mr. Finkelstein. Excuse me?

Senator DeConcini. Would you identify yourself, please.

Mr. Finkelstein. William Finkelstein, counsel for Kentucky Fried Chicken, Pizza Hut, and Taco Bell.

In the service businesses such as restaurants the searching process is quite risky and quite tricky because of the potential geographic fragmentation around the country. Possibly very small restaurants in small communities have not availed themselves of the Federal registration system. The searching process can be quite difficult and time consuming and costly in trying to investigate various references that may come up in a search.

Senator DeConcini. Can you give us an example of time and just general costs? We're talking about thousands of dollars or millions of dollars, or what?

Mr. Finkelstein. That would depend, of course, for example, if it's the name for your entire restaurant chain, let's say, a completely new restaurant chain versus possibly just a menu-item product within the restaurant. So there is a great variability there.

If one were starting a new restaurant chain from scratch and had nationwide plans for it, I would say that prudence would demand many months—4 to 6 months, I'd say—at the very minimum to make sure that you have exhausted all the searching capabilities throughout the country.

Senator **DeConcini**. What do you do? Do you go to every State and look at what procedures they have for trademarks as well as the Federal——

Mr. **Finkelstein**. Exactly. You start with the Federal registration data bank as well as all the State registrations. Then, especially in businesses such as ours, you have to go to numerous what we call common law databases: all sorts of trade directories, trade listings, business listings, telephone books. I have spent many exhausting hours pouring through telephone books trying to find names of potential businesses there who may own trademark rights in a particular locality.

Senator **DeConcini**. Mrs. Fields, let me ask you a question. Do you believe that the proposal, to grant priority rights from the date a trademark application is filed, will adversely affect small businesspersons who either don't have the knowledge that a trademark search should be conducted before adopting a new mark or who may not wish to spend the money for a trademark search and a legal opinion about the protectability of a mark?

Mrs. **Fields**. I don't feel that would in any way hamper small business whatsoever.

Senator **DeConcini**. Thank you.

Mr. Kranzow, as you probably heard from the earlier discussion, some people say that this legislation would allow big companies to reserve a large number of trademarks, making them unavailable to others. You stated in your testimony that every year Frito-Lay considers thousands of potential new marks, between 200 and 500 marks, to determine their availability. How would this legislation change your current practices?

Mr. **Kranzow**. I think our current practices would change. As I explained before, the searches would be simpler. I can't imagine how a large company, in fact, would go about reserving banks of trademarks under the new legislation, certainly less than they might do now.

The removal of deadwood from the register is a virtual certainty. I can't imagine why anyone would file false affidavits, for example, to get intent-to-use applications filed for a variety of trademarks. One, I don't know why you would do it. You couldn't possibly anticipate a competitor and deprive him of trademarks. It's almost an absurdity.

But, in doing that, you'd file the applications falsely, lie under oath, pay the filing fees, and then to maintain pendency for 4 years file additional false oaths and pay additional fees. For what? I don't know. At the end of the time, if you filed again a fraudulent application, it would be worth nothing.

I really can't see why anyone would do that under the proposed legislation. I think it would substantially decrease the number of registrations which are more or less in that status accidentally now. A party such as Frito-Lay may obtain a registration, make bona fide use of the mark, withdraw from the marketplace, which happens quite often, and the mark remains on the register for another 14 years perhaps. Who would abandon it? It's there. You own it; you paid for it. It remains a bar to registrations of the same or similar mark by others who may find it in their trademark searches and attempt to ascertain whether you're making really commercial use of it, attempt to buy it, and an awful lot of litigation and conflict that's rather futile grows out of that sort of thing.

From my company's standpoint, we'd lose a lot of marks that are presently on the register which we're not really using in a commercial way, but we'd get a better register.

Senator DECONCINI. Thank you.

I'll ask my last question and then I'll yield to my colleague.

Mr. Trexler, how often has your company used Pennsylvania's antidilution statutes? Why is a Federal statute necessary in this dilution area in your judgment?

Mr. TREXLER. In answer to the first part of your question, we've used it once to my immediate recollection when a firm attempted to market men's briefs with the Mack Truck logos on the briefs. We used the Pennsylvania antidilution statute very effectively to compel that individual to withdraw its products from the market.

I believe the second part of your question was why the State statutes are——

Senator DECONCINI. No. Why do we need a Federal statute in this area? Why can't we just leave it to the States?

Mr. TREXLER. I think primarily for the sake of uniformity throughout the United States. Maybe 23 jurisdictions have such a law now. We would like to see one that would apply to the entire country and which would be uniform in its provisions and hopefully uniform in its application.

Senator DECONCINI. In States that have no laws, what do you do? Do you find another cause of action there? Is there any other relief?

Mr. TREXLER. None that we've been able to find.

Senator DECONCINI. Thank you very much. I have no further questions.

Senator Hatch?

Senator HATCH. Let me ask just one question. Mrs. Fields, you're a great tribute to American business.

Mrs. FIELDS. Thank you.

Senator HATCH. You began with a dream, a great-tasting cookie recipe, and one store. Now you're known all over the country and in many places throughout the world because of your products. How long were you in business before you filed for your trademark or before you registered your trademark?

Mrs. FIELDS. Actually, I'm not clear on the specific date, but it was probably at least close to 8 months to 1 year before I actually pursued registration. I have to say, being a small business owner, I wasn't really savvy as to exactly what was required of registration, how to use the mark, and that came with time.

Senator HATCH. What would be the significance of your trademark today?

Mrs. FIELDS. The trademark is the company. Without it, we couldn't survive. The protection of it is critical.

Senator HATCH. Did you have any problems with the Lanham Act or the Trademark Act before hiring an attorney?

Mrs. FIELDS. Actually, no, primarily because I knew I was getting myself into an area that I did not understand. We did go to counsel to assist us in doing whatever was required to pursue registration.

Senator HATCH. I want to tell each of you that I think all of you are very important to the business community in this country. We appreciate the testimony that all of you have brought to us today. This is a significant issue. We'd like to resolve it in the best possible way. We appreciate the efforts that you have made. Thank you very much.

Mrs. FIELDS. Thank you.

Senator DECONCINI. We'll call the second panel: Mr. Michael Grow, Mr. Beverly Pattishall, Mr. John Uilkema, and Mr. Joseph DeGrandi.

We will start with you, Mr. Grow. Please summarize your statement and your full statement will appear in the record immediately following your oral presentation.

STATEMENT OF MICHAEL A. GROW, LAW FIRM OF WARD, LAZARUS & GROW, WASHINGTON, DC

Mr. GROW. Thank you, Mr. Chairman. I, too, would like to express appreciation for the opportunity to be here today and express my views as an attorney engaged in the private practice of trademark law on this much-needed legislation.

Quite often, unfortunately, the public at large is very unaware of the vital role that trademarks play in our country. If in the United States all of the industries were State owned, trademarks would not be necessary. But we take great pride in America in the fact that we have a free enterprise system in which we try to encourage businesses to develop new ideas and in which we try to insure that they are rewarded when those ideas are commercially successful. Without trademarks, this system would be impossible.

Trademarks serve to foster competition between businesses by enabling trademark owners to identify and distinguish their particular goods and services. They facilitate the distribution of goods and services. They aid consumers in selecting desired products by denoting a particular level of quality. They symbolize the good will that a business has developed through years of hard work and advertising and product development. They serve as a means of protecting the consumers from confusion.

For all of these reasons, trademarks are extremely important, and the enactment of Federal legislation to guarantee protection for trademarks is also extremely important.

For over 40 years now the Lanham Act has served that function. It has not only provided remedies for trademark owners who are seeking to protect their trademarks, but it has also provided a registration system that allows people selecting new marks to have an idea, at least to some degree, as to what else is in the marketplace so that they can avoid adopting confusingly similar marks.

The Lanham Act currently provides constructive notice of a registrant's claim of ownership, but that notice today only runs from the date of registration, not the date on which an application is filed.

Trademark registrations also play an important role in litigation in that they confer on the registrant certain evidentiary benefits that facilitate the protection of trademark rights.

Notwithstanding the fact that the Lanham Act has endured for all of these 40 years and that it has provided an opportunity for trademark owners to protect their marks, there have been many changes in the business community and in the way business is conducted in this country during that time.

In 1946, when the Lanham Act was enacted, television was in its infancy. Today television plays a major role in the way products are advertised and distributed, and in the way trademarks become known to people.

With the development of marketing practices like franchising and trademark licensing, what once took years in terms of developing the recognition of a trademark can now occur virtually overnight. So, as a result, there is a need to modernize and update the Lanham Act to take into account these changes that have occurred in the business community.

One example that we saw here a few months ago in the Washington, DC, area with the victory of the Redskins in the Super Bowl was the effect that television had on the recognition of the name Doug Williams. I was astonished to see how the imprinting of his name on a $5 sweatshirt could make it sell for $25. This occurred virtually overnight.

Unfortunately, even though a name like that can suddenly develop commercial magnetism such that it can generate millions of dollars in revenue, it takes an unduly long period of time to get a trademark registration. It can take up to 9 months and often years to get a trademark registered under our Federal system.

I think this new trademark legislation will go a long way toward solving problems of that type and many others. As an attorney in private practice, I am frequently asked by clients for advice as to the availability of new trademarks. In order to render an opinion on that, it's necessary to conduct a trademark search. Unfortunately, many of the trademarks used in this country are never the subject of an application for Federal registration. As a result, it's necessary to go to State registrations, common-law sources, and you can never be completely sure that you have found all of the potentially conflicting marks in the marketplace. I think this proposed legislation will go a long way toward solving that problem in that it will encourage trademark owners to seek registration.

Another problem that we frequently face in the practice of law is requests from clients as to how they can maximize their trademark protection. Of course, Federal registration is one of the best ways to do that. But, again, because many people do not seek Federal registration, a trademark owner can go to the time and expense of getting a trademark registration and then find that someone else in another part of the country has established common-law rights through use.

Perhaps one of the most gruesome horror stories which we sometimes relate to clients to illustrate the down side in a particular situation is the experience Goodyear Tire and Rubber Company had a few years ago when they decided to adopt the trademark "Bigfoot" for tires. After doing a trademark search and becoming reasonably certain that they had a good mark and after having invested millions of dollars in an advertising campaign, they found that another company had made prior use of the identical mark without seeking Federal registration.

In the litigation that ensued, Goodyear was found liable for nearly $20 million in damages. This is the type of problem which I think legislation of this type could help to avoid.

If intent-to-use legislation is enacted, it will not be a panacea for all of the problems that trademark owners face, and it will carry with it new problems. One of the problems that will be faced lies in the fact that if you give a constructive use date to a trademark applicant as of the date of filing, under our present system those applications do not become immediately available to the public. There's a timelag of up to 6 weeks at times before trademark applications become publicly available. I would hope that, if constructive use runs from the date of filing, means could be found to make those applications publicly available more quickly.

Also, under our present system, because applicants must make use of a mark in commerce before they can file for application, some would-be pirates are deterred from making spurious claims. Trademark owners will need to be alert under the present system to the possibility that disgruntled employees or others may learn of an intent to use a particular mark and run down and make a simple filing before an application can be filed by the lawful owner. These are problems that can be considered and dealt with.

Another aspect of the legislation which is very much needed and very important is the proposed Federal antidilution statute. Under current Federal law, to make out a case for infringement or a violation of 43(a), it's necessary to prove not only that you have valid rights in a mark, but also that there is a likelihood of confusion flowing from a competitor's use of a similar mark.

The State antidilution statutes which now exist are designed to provide a cause of action in those instances where it may be difficult to prove likelihood of confusion, but in which there is a real risk of injury from the dilution of the distinctive value of the mark. Enactment of a Federal antidilution statute would substantially enhance the ability of owners of famous trademarks to maintain distinctiveness.

In looking at the current proposal as it stands now there are some things that could be done to improve it. As it is presently written the bill would provide a remedy against use of a mark which has a tendency to lessen the distinctiveness of a trademark owner's rights, but that lessening of distinctiveness can occur through use of other things besides a mark. It can occur through use of a trade name or it can occur through misuse of someone's mark, which we sometimes refer to as "genericization".

Xerox, for example, is undoubtedly a famous mark which would qualify for protection, but if a competitor like IBM were to use Xerox in ad copy as a verb, for example, "Use our IBM machine to xerox your documents," that would not technically be use of a trademark, but it would, nonetheless, be a use which diminishes or dilutes the distinctiveness of the Xerox mark. So perhaps something could be included in the bill to broaden the scope of protection that is currently proposed.

In addition, the current proposed dilution statute would limit relief to those who have already obtained Federal registrations.

But, as we know, a mark can become famous literally overnight through the medium of television and other forms of publicity. I would hope that, like the cause of action that's presently available under 43(a), the remedy of dilution would not be dependent upon first obtaining a registration, but would be merely dependent upon a showing that someone has a famous mark.

One of the other things that is present in the State dilution statutes which is not present in this bill is something which is referred to as injury to business reputation. This also is something that may occur in instances where dilution may not be present and that is something that could be considered as well.

Also, the current proposal is drafted in terms of requiring a trademark owner to show that the activities of another party caused dilution, whereas under the State statutes it's necessary only to show a likelihood of dilution. I think likelihood of dilution is a preferable standard since proof of actual dilution may be very difficult to obtain in some circumstances.

Finally, if a dilution statute is enacted, I think consideration should be given to allowing dilution to be a ground for relief in opposition and cancellation proceedings in the Patent and Trademark Office. Currently many trademark owners find that trademark opposition or cancellation proceedings are a much more economical way to resolve trademark disputes than civil litigation in a Federal or State court. I believe that if we recognize dilution as a valid Federal cause of action in the courts, it should also be a basis for filing opposition in cancellation proceedings.

I would like to conclude by thanking the committee for the interest that it has shown in this legislation as well as the interest it has shown in past years in other bills that have greatly enhanced the ability of trademark owners to protect their rights. I do strongly endorse the passage of this legislation.

[The prepared statement of Mr. Grow follows:]

PREPARED STATEMENT OF MICHAEL A. GROW

INTRODUCTION

Mr. Chairman and members of the Committee, I thank you for affording me the opportunity to express my views on S. 1883, The Trademark Law Revision Act. As an attorney specializing in the practice of trademark law, I and many of my colleagues have long felt the need for legislation which would modernize the current federal trademark statute, the Trademark Act of 1946 or Lanham Act as it is commonly known. In recent years, this Committee has shown a remarkable willingness to consider and enact legislation designed to foster and enhance the rights of trademark owners and the consuming public. The much needed amendments to Section 39 of the Lanham Act enacted in 1982, and to Sections 14 and 45 in 1984, resulted from many hours of hard work by members of this committee and its staff. These amendments redressed particular problems experienced by many trademark owners. S.1883 is much broader in scope and, if enacted will be of great benefit to all persons in this country who use or contemplate using trademarks in their businesses and to all consumers.

I would also like to pay tribute to the United States Trademark Association (USTA), its members and staff and particularly those individuals who served on its Trademark Review Commission, for their efforts in identifying and making recommendations to this Committee as to needed improvements in existing trademark laws.

I. TRADEMARK PROTECTION UNDER THE CURRENT STATUTE

A. THE NATURE AND FUNCTION OF TRADEMARKS

Trademarks play an indispensable yet often overlooked role in our free enterprise system. It is sometimes said that if you build a better mousetrap, the world will beat a path to your door. Without trademarks, however, consumers in today's complex society would have no way to distinguish a desired mousetrap from the inferior imitation sold by a competitor. Because of this fact, trademarks or service marks are affixed to or used in connection with nearly every product or service sold or offered for sale.

Our economic system is based on the premise that businesses should be permitted to freely and fairly compete in the market place and that they should be entitled to reap the rewards of hard work and creative effort. Without trademarks, and a legal and regulatory system for their protection, none of these objectives would be attainable.

Trademarks enhance the efficient operation of a free market since they (1) foster competition by enabling particular businesses to identify their goods or services and to distinguish them from those sold by others; (2) facilitate distribution by indicating that particular products or services emanate from a reliable though often anonymous source; (3) aid consumers in the selection process by denoting a level of quality relating to particular goods or services; (4) symbolize the reputation and good will of the trademark owner, thereby motivating consumers to purchase or avoid certain branded products or services; and (5) protect the public from confusion or deception by enabling purchasers to identify and obtain desired goods or services.[1]

Because trademarks serve these important functions the right to trademark protection has long been recognized and upheld in this country and in other countries throughout the world.

B. THE ROLE OF THE LANHAM ACT IN ENHANCING COMMON LAW TRADEMARK RIGHTS

In the United States, the right to trademark protection arises under the common law when a mark is first used in an established trade or business in connection with the sale of goods or the advertising or sale of available services. The first person or business to use a mark is generally recognized as the trademark owner and is entitled to exclude others from using the same or similar mark on goods or services so similar as to create a likelihood of confusion among the purchasing public.[2] Trademarks have been recognized as a form of property[3] for which the owner has a right of exclusive enjoyment to the extent that it has been actually used.[4] Trademark registration is not and never has been a precondition to the establishment of a right to trademark protection. However, the Congress of the United States over a period of over 100 years has enacted a series of registration statutes designed to enhance the protection afforded by the common law. Among the benefits available to those who secure trademark registrations on the Principal Register provided for in the Lanham Act are: (1) nationwide constructive notice of the registrant's claim of ownership[5]; (2) the right to invoke the assistance of the Department of Treasury in excluding the importation of goods bearing an infringing mark[6]; (3) federal jurisdiction for trademark infringement claims without a minimum amount in controversy[7]; (4) various statutory remedies including damages and profits, which may be trebled, costs and in exceptional cases attorneys' fees[8]; and (5) various evidentiary and procedural benefits including the right to rely on the certificate of registration as prima facie evidence of the registrant's exclusive right to use the mark in commerce and, where incontestability has been acquired, as conclusive evidence of the registrant's exclusive right to use the mark subject only to a few defenses.[9]

By obtaining a federal registration, a trademark owner insures that his registration will be placed on file in the public records of the Patent and Trademark Office, thereby providing a means of deterring others from adopting and using confusingly similar marks. Thus, the registration system provided for in the Lanham Act affords a means for conducting searches to determine the availability of new marks. Unfortunately a large number of the marks in use in the United States are not registered and therefore one can never be sure from a search of the Patent and Trademark Office records alone that a proposed mark may be used without risk of conflict.

C. THE NEED FOR AMENDMENTS TO THE LANHAM ACT

Since the Lanham Act was enacted more than forty (40) years ago trademark usage and the need for trademark protection have been affected by a multitude of changes in marketing techniques, methods of doing business, advertising strategies, the nature of advertising media, product distribution systems, market research tools, transportation systems, and in the expectations and habits of consumers. In 1946, television was in its infancy, franchising was practically unheard of, the use of trademark licenses as a means of broadening good will and promoting sales was relatively insignificant, the amount of money invested in product advertising as a percentage of gross sales was much smaller for most products, and the techniques available for generating trademark recognition and consumer demand were greatly limited by comparison to those available today.

In the brief duration of a single sporting event today a name like Mary Lou Rhetton or Doug Williams may be transformed almost instantly into a powerful merchandising symbol capable of generating millions of dollars in revenue not only for those rightfully entitled to use the name but also for unscrupulous infringers as well. Through the medium of franchising, trademark use may be expanded rapidly throughout the country in a relatively short period of time.

The value of an article of clothing or other merchandise may be multiplied many times by imprinting on it the image of a children's television character or the name of a popular rock group. As a result, the property rights embodied in a name or mark may often be the most valuable asset owned by a business and losses through infringement, imitation or misuse by others can often amount to many millions of dollars.

In retrospect, one must concede that the drafters of the Lanham Act and the courts which have applied it in upholding the rights of trademark owners have done a remarkable job. However, the pace of technological innovations and the changes in business practices that have occurred in the past forty (40) years have been such that changes are now necessary to protect the rights of trademark owners and the consuming public.

In evaluating the various proposed amendments to the Act which are now before the Committee, and in evaluating future proposed legislation, I believe that the following goals and objectives should be considered.

1. The legislation should be drafted in such a way as to insure that the resulting law will not be subject to attack on Constitutional or other grounds.

2. Any new law should be designed to encourage rather than discourage businesses to seek registration of their marks and to facilitate early identification of conflicting marks prior to selection and use of new marks.

3. Nothing should be done to abrogate trademark rights lawfully established through use under the common law particularly where the mark in issue has come to be recognized by an appreciable number of consumers as an indicator of origin or quality.

4. Equal treatment should be provided to all applicants for registration regardless of the nature of the mark sought to be registered and regardless of the applicant's country of origin.

5. New legislation should be scrutinized to insure that it does not hinder the establishment of new businesses or impose an unreasonable burden on those seeking to create or protect new marks.

6. Any amendments to the Act should be designed to lessen and simplify litigation among trademark owners.

With these considerations in mind, I will now address those aspects of S. 1883 which from my perspective seem most significant.

II. THE EFFECT OF S.1883 ON TRADEMARK PROTECTION AND PRACTICE

A. INTENT TO USE AND CONSTRUCTIVE USE

Perhaps the most controversial and significant amendments in the proposed legislation are those which would permit the filing of applications and the granting of a priority date, or constructive use date, based on an expressed intention to make bona fide future use of the mark sought to be registered. Under S. 1883, such use could occur at any time within a period of up to four years after the filing of the intent to use application.

Under current law, applications are not approved and, if filed, are deemed void *ab initio* if the applicant has not used the mark in commerce prior to filing. This policy flows from an 1879 decision of the United States Supreme Court[10] which struck down the first federal trademark statute as unconstitutional on the ground that Congress' power to regulate trademarks was limited to an exercise of the Commerce power.[11]

Unlike the 1870 Trademark Act which was invalidated by the Supreme Court, the proposed legislation makes the granting of a federal registration contingent upon actual use of the mark sought to be registered at some point after filing. However, S.1883 would grant a right of priority as of the filing date of the application before any good will had been created through use. In view of this fact there remains an unanswered question in my mind as to whether such a law would withstand attack by a person who used a confusingly similar mark in good faith subsequent to an intent to use applicant's filing date but prior to the latter's first use in commerce.

Apart from this concern, I view intent to use filing as a salutary and necessary addition to the Lanham Act. There seems to be no sound reason for preventing an applicant from making his intent to use a mark of record in the Patent and Trademark Office at the earliest possible date. While an applicant makes preparations to launch a new product, the Patent and Trademark Office could be making its customary examination of the application to assess its compliance with regulatory and statutory requirements and to determine whether the mark sought to be registered conflicts with any other mark of record. In the meantime, other businesses seeking to evaluate the availability of marks under consideration would have the opportunity to learn of and steer away from the previously filed mark.

Many practitioners and trademark owners have expressed concern that constructive use as of the filing date of an intent to use application is necessary to deter pirates and deliberate infringers from beating the applicant to the marketplace. To assess the validity of such concerns, one need only refer to the casebooks which are replete with decisions citing and entering judgment against trademark pirates and deliberate infringers. If constructive use is enacted into law, however, trademark owners will need to be on their guard against piracy in another form, i.e., the trading of inside information about marks under consideration and the filing of applications by individuals with no bona fide intent to use who are motivated only by a desire to create a pretext for extracting money from the creator of the mark. With no pre-filing use requirement, the assertion of spurious claims of ownership will become much easier.

One additional problem posed by the granting of a constructive use date as of the date of filing lies in the fact that applications which are filed in the Patent and

Trademark Office do not be come publicly available for some weeks after filing. As a result, it will be impossible for persons conducting a good faith search for confusingly similar marks to discover pertinent recently filed applications. If a constructive use date is granted to intent to use applicants, it would seem more reasonable to have it run from the date that such applications first become publicly available rather than the date of filing.

Notwithstanding the difficulties which may be encountered in implementing a fair and workable intent to use system, it is my view that such a system will provide greater certainty to trademark owners and will diminish the risk of potentially costly trademark conflicts. [12]

The enactment of intent to use legislation will eliminate an inequity which has existed since 1984, when the Trademark Trial and Appeal Board issued its opinion in Crocker National Bank v. Canadian Imperial Bank of Commerce.[13] In that decision, the Board held that the requirement that foreign trademark applicants allege use, and submit specimens evidencing such use was inconsistent with the International Convention of Paris for the Protection of Industrial Property as implemented by Section 44 of the Lanham Act. Since the Board's decision, it has been possible for foreign applicant's to seek registration without alleging use while applicants domiciled in this country have been required to make such an allegation and to file specimens evidencing use. S.1883 will put foreign and domestic applicants on the same footing.

B. DILUTION

The legislatures of at least twenty three states have enacted "antidilution statutes which provide for injunctive relief where a defendant's conduct is shown to cause a likelihood of injury to business reputation or of dilution of the distinctive quality of a name or mark. However, there is no federal cause of action for dilution nor is likelihood of dilution a ground for refusing federal registration of a mark.

At present, trademark owners bringing claims for infringement of federally registered marks or for violations of Section 43(a) of the Lanham Act may obtain injunctive and in some cases monetary relief where it is shown that a defendant is using a name or mark which creates a likelihood of confusion as to source, sponsorship or affiliation. The defendant need not be in direct competition with the plaintiff and, if the plaintiff's mark is found to be strong or highly distinctive, a broad scope of protection against use of similar marks on unrelated products or services may be granted.

Thus, in theory, the Lanham Act provides a means of obtaining relief against activities which dilute the distinctiveness of famous marks. In practice, however, courts and juries have on occasion been unable or unwilling to find likelihood of confusion where the marks, though identical or very similar, are used on unrelated goods or services. This may be due to the highly subjective criteria which are used in evaluating likelihood of confusion. But in any event, where the plaintiff has a famous mark, the failure to grant relief can result in substantial though often unqualifiable loss to the plaintiff and unjust enrichment of the defendant. Because of this problem, many practitioners and trademark owner have concluded that there is a need for a federal antidilution statute, such as that set forth in S.1883, which would broaden the scope of protection available for at least well known or famous marks.

While it is essential that the courts be given ample latitude to interpret and apply any new federal antidilution statute on a case by case basis as the equities may warrant, there are several fundamental issues which should be considered and answered before enactment of such a law.

First, if dilution is defined as "the lessening of the capacity of a registrant's mark to identify and distinguish goods and services," should relief be limited to "injunctions against another's use of a mark"? The distinctiveness of a Plaintiff's mark may be lessened by use of a similar term as a trade name or as a generic designation for particular goods or services as well as by using it as a mark. For example, the mark XEROX would undoubtedly qualify as "famous" under the criteria outlined in S. 1883, and its distinctiveness would undoubtedly be lessened through use by others as a component of a trade name or through generic use in advertising (genericization). Yet as presently drafted, S. 1883 would provide no remedy against such potentially damaging non-trademark uses.

Second, since Section 43(a) provides relief against various acts of unfair competition to owners of valid marks who may or may not have obtained federal registrations, should the "antidilution" relief provided in proposed Section 43(c) be granted only to "the registrant of a famous mark"? In today's society, marks or trade names may become famous or acquire valuable commercial magnetism literally overnight. If an unscrupulous person beats the lawful owner of a suddenly famous mark in the race for filing, issuance of a registration to the lawful owner might be delayed for years, particularly if the first filed application is cited as bar to the second. In such circumstances the right to seek a temporary restraining order or preliminary injunctive relief under a dilution cause of action available only to registrants would be lost for all practical purposes.

Third, should likelihood of injury to business reputation be omitted as a ground for relief in the federal antidilution statute when it is included in the Model State Trademark Bill and in virtually of the existing state antidilution statutes.

In Pillsbury Co. v. Milky Way Prods., Inc., [14] Pillsbury succeeded in enjoining lewd depictions of figures representing its "Poppin' Fresh" and "Poppie Fresh" characters under the Georgia antidilution statute which provides a remedy for both dilution and injury to business reputation. While such conduct clearly creates a likelihood of injury to business reputation, it is unclear whether it would cause dilution of the distinctive quality of a mark within the meaning of S.1883. To relieve the courts from wrestling with such distinctions and to insure nationwide uniformity of antidilution law, it would seem prudent to make the federal antidilution statute at least as broad as those in effect in the states.

Fourth, S.1883 provides a cause of action for use which "causes dilution" whereas the existing state antidilution statutes require merely a showing of "likelihood of dilution". Actions for infringement under the Lanham Act require merely a showing of likelihood of confusion since, in most instances, actual confusion evidence is very difficult to obtain. Since proof of dilution may present even greater difficulties, it would seem prudent again to make the federal anti-dilution statutes at least as broad as the state statutes by requiring only a showing of likelihood of dilution.

Fifth, ownership of a valid federal registration would provide a defense to actions for antidilution under state statutes. However, S.1883 is silent with respect to the use of federal registrations as a defense to federal antidilution claims. It would seem that ownership of an incontestable federal registration at least should provide a basis for such a defense.

Sixth, if dilution becomes a ground for enjoining use of a mark, it would seem logical to make it also a ground for bringing an opposition or cancellation proceeding in the Patent and Trademark Office. Although trademark examiners reviewing applications for registration on an ex parte basis might have no means of assessing the fame of potentially conflicting registered marks, evidence of fame could be presented to and evaluated by the Trademark Trial and Appeal Board in the context of inter partes proceedings. Since such proceedings are often a more economical and efficient means of resolving trademark disputes than litigation in the courts, consideration should be given to expanding the Board's authority to hear proceedings based on claims of dilution.

Finally, enactment of a federal antidilution statute has been criticized by some as potentially complicating the task of clearing or assessing the availability of new marks.[15] One means of reducing that difficulty might be to permit owners of federally registered marks held by courts to be famous or strong to make such court decisions of record in the Patent and Trademark Office. This would serve to alert those charged with clearing new marks of the potential for antidilution liability.

C. OTHER PROPOSED AMENDMENTS TO THE LANHAM ACT

I will not address at length the other aspects of S.1883 since, for the most part, they are less controversial and provide long overdue improvements to the Lanham Act.

Failure to require the filing of specimens prior to publication for opposition purposes may present difficulties in some instances since decisions as to whether or not to oppose an application are often based, at least in part, on the stylization and design format in which a mark is displayed. Moreover, specimens often provide important and useful evidence in evaluating likelihood of confusion in opposition proceedings.

Allowing a four year period in which use may be commenced could result in substantial delays in the processing of later filed applications which may be suspended pending the issuance of registrations of potentially conflicting marks of prior applicants.

Many of the other amendments will serve to give statutory approval to judicial interpretations of the Lanham Act or will serve to improve the ability of the Patent and Trademark Office to administer the registration of marks.

On the whole, I believe the bill provides much needed modernization of our system of trademark protection and I strongly endorse its enactment.

FOOTNOTES

1. Gilson, *Trademark Protection & Practice* §1.03 (1987).

2. *U.S.* *v.* *Steffens*, 100 U.S. 87 (1889); *Societe Anonyme des Parfums Les Galion* *v.* *Jean Patou, Inc.*, 495 F.2d 1265 (2nd Cir. 1974)

3. *Hanover Star Milling Co.* *v.* *Metcalf*, 240 U.S. 403, 60 L.Ed. 713, 36 S.Ct. 357 (1916)

4. *Hamilton Brown Shoe Co.* *v.* *Wolf Bros. & Co.*, 240 U.S. 251, 60 L.Ed. 629, 36 S.Ct. 269 (1916)

5. 15 U.S.C. §1072

6. 15 U.S.C. §1124

7. 15 U.S.C. §1121

8. 15 U.S.C. §1117

9. 15 U.S.C. §§1065 and 1057(b)

10. Trademark Cases 100 U.S. 82, 25 L.Ed. 550 (1879)

11. U.S. Const. Art. 1 §8 Cl.3

12. The risk of liability faced by trademark owners adopting new marks is perhaps best illustrated by the decision in *Big O Tire Dealers, Inc.* *v.* *Goodyear Tire & Rubber Co.*, 408 F.Supp. 1219, *aff'd* on liability, damages *modified* 561 F.2d 1265 (10th Cir.), *cert.* *dismsd* 434 U.S. 1052, 54 L.Ed.2d 805, 98 S.Ct. 905. Although Goodyear had evidently conducted a good faith search, it was unaware of Big O's prior use of the mark BIG FOOT when it adopted the same mark. A jury awarded Big O approximately $19 million in damages, using the amounts spent by Goodyear in advertising products bearing the mark as a measure of damages.

13. 223 U.S.P.Q. 909 (TTAB 1984)

14. 215 U.S.P.Q. 124 (N.D.Ga. 1981)

15. Milton W. Handler, *Are The State Antidilution Laws Compatible With The National Protection Of Trademarks*, 75 T.M.R. 269, 281 (1985)

SUMMARY

The American Bar Association Section of Patent, Trademark and Copyright Law, and in certain respects the ABA itself, have long endorsed and now enthusiastically support certain principles embraced by S. 1883.

The ABA has favored enactment of intent-to-use amendments to the Lanham Act since 1965. We believe intent-to-use would provide greater commercial certainty in adopting new trademarks, and also reduce the disparity in treatment between U.S. and foreign trademark owners which exists under present law. The benefits of intent-to-use would be felt by small and large companies alike, but particularly by small or "start up" companies to which early and confident trademark selection is crucial.

The PTC Section has favored enactment of an anti-dilution provision since 1979 because the whittling-away of a recognized mark's "commercial magnetism" is an injury properly remedied by federal legislation.

The PTC Section in 1987 approved a system of perfecting security interests in registered trademarks based on recordation in the U.S. Patent and Trademark Office, and it supports the principle of S. 1883 in implementing such a system.

The PTC Section since 1982 has favored legislation to close a gap in the Lanham Act and overrule a line of case law holding that misrepresentations about a competitor's product are not actionable under Section 43(a). The Section therefore supports S. 1883 in this respect, and in adopting language that has been approved by the ABA since 1968, prohibiting the disparagement of another's products or services.

The positions of the Patent Trademark and Copyright Law Section of the Association are established by open debate of all members of the Section present at the annual meeting of the American Bar Association held each year in August. The present bill was introduced in November of 1987, after the Association's 1987 Annual Meeting. This explains why the Section does not have a position on the various aspects of the bill about which I have not commented. My absence of comment about a particular aspect or detail of the bill should not be interpreted as an expression either for or against that aspect or detail. The Section anticipates developing more comprehensive positions on the remaining principles and details of S. 1883 at its annual meeting this summer, and will thereafter promptly make these positions known to the members of this subcommittee.

Senator DeConcini. Thank you, Mr. Grow.

Mr. Pattishall, we're very pleased to have you here. Your reputation, as do the reputations of all the members of this panel, certainly preceded yourself. I welcome your observations of this legislation and any constructive suggestions you can offer to make it better.

STATEMENT OF BEVERLY W. PATTISHALL, LAW FIRM OF PATTISHALL, McAULIFFE, NEWBURY, HILLIARD & GERALDSON, CHICAGO, IL

Mr. Pattishall. Thank you, Mr. Chairman. It's a great honor and a privilege to be here even though I did have to tear myself away from the beautiful ski slopes of your adjoining State, Colorado, where I have a home from which I can look through the kitchen windows at Senator Hatch's State, Utah, and the snow-covered LaSalle Mountains 128 miles away. I'm sorry he isn't present, but they are a beautiful sight, as is a great deal of those two adjoining States.

However, it's worth it to be here because this for me is a great labor of love, a great privilege. I think that Senate bill 1883 is the finest statutory effort that has ever been made in amending the U.S. trademark laws. It's a superb improvement or group of improvements. I applaud it in its every line.

I base this opinion on having practiced back even unto the ancient times of the act of 1905, practiced exclusively in the trademark-unfair trade practiced area ever since the end of World War II. Six months after the end of World War II—rather, 6 months after I started practice, in a firm exclusively in the trademark and unfair trade practices area—in fact, it was on July 8, 1946, and I had the duty of opening my senior partner's mail during his absence at his vacation home in Castine, ME, and on the top of the pile of mail was a telegram which I duly opened, and it was from Congressman Fritz Lanham congratulating Mr. Edward S. Rogers, my senior at that time, on the passage of the Lanham Act which had occurred the day before—the signing of it by President Truman had occurred the day before. He congratulated Mr. Rogers because Mr. Rogers was the principal author of that act.

I had never paid much attention to that bill until that moment. I had enough to worry about trying to learn something about the application of the act of 1905, but I dug out the files, and I found that there was file after file. That bill had been pending for 8 years. I trust that this one will not enjoy the same length of pendency.

Ever since then, I have studied and practiced under that act and have worked on every effort toward improving and amending that act that has taken place in the intervening 40 years. This job of work is by far superior to anything that was undertaken.

Years back we had the coordinating committees which consisted of representatives from each one of the professional organizations and other organizations concerned with trademarks. They did a good job, but nothing to compare with this.

There are three forms of trademark damage. There is the confusion tort that is the traditional Anglo-American common-law basis for protecting trademarks. There is the dilution concept which originated out of the mind of a Mr. Frank Schecter and was expressed in a Law Review article published in the Harvard Law Review in 1927. It never mentioned the word "dilution," but it was entitled, "A Rational Basis for Trademark Protection." The whole concept was spelled out in that article.

The concept kicked around in academic circles and finally came into fruition 20 years after the article was published. In 1947 a statute was passed in Massachusetts as the result of a number of concerns and lawyers' distress over the absence of protection that was not simply protection against deception as to source, trade identity protection. We came to realize that there were other characteristics, aspects of trademarks that were desperately in need of protection and were of immense worth.

Mr. Justice Frankfurter described that characteristic of trademarks as the commercial magnetism of trademarks.

So the dilution concept gradually came along in State statutes which are more or less the same, and soon the Trademark Association developed a model antidilution statute which was generally adopted by 23 of the States after it was proposed by the Trademark Association.

The third area is the area of tarnishment, disparagement, or misrepresentation as to nature and quality.

The improvements incorporated in S. 1883 now encompass all three areas of trademark damage. It will be the first time the United States ever had clear protection against all three of those areas.

I commend the bill to you with the utmost superlatives just as it stands, but, like almost any lawyer, I believe I can see a few areas where it might be improved. I respectfully submit that with the change of one word in the dilution section I believe that the bill might be much better, made much broader, enable protection to be had by a great many more who deserve protection.

As it stands, it is limited now to the owners of famous marks. Goodness knows, the owners of famous marks need protection in the area of dilution, perhaps need it more than almost any others because they are most frequently the targets of dilution. But there are a great many other companies that, likewise, deserve protection of their distinctive marks and they, too, should be protected, just as they are under the model State trademark statute.

I am speaking today, I believe, sponsored by the Trademark Association, but I am speaking as an individual practitioner. I'm grateful for the sponsorship, but as an individual practitioner I believe if you change the limiting word "famous" back to "distinctive," it would greatly benefit our trademark system federally.

Intent to use is a subject that I have been trying to promote myself, as have my partners, for 20 or 25 years. My late partner, Lewis S. Garner, drafted about the first intent-to-use bill and managed to persuade the late Senator Dirksen to sponsor it, and he did and refiled it periodically over a period of years and finally gave it up. But, thank goodness, I believe that the date for intent to use has finally come. I applaud it.

In conclusion, I reiterate that I can find really nothing in S. 1883 to quarrel with and everything to applaud. I commend the Trademark Review Commission for its brilliant professional work and its great public service. I commend the U.S. Trademark Association for its initiation of that work. I believe it was actually initiated during the presidency of the association of Mr. William Finkelstein, who testified just earlier.

I particularly commend the efforts of Mr. Jerry Gilson who was the secretary of the extraordinary committee all during its deliberations. He is a brilliant treatise writer on the law of trademarks.

I am most appreciative of the opportunity to be here and I request the privilege of submitting a prepared statement at an early date and that it be made a part of the record. Thank you.

[The prepared statement of Mr. Pattishall, along with a supplement to the statement, follows:]

STATEMENT OF BEVERLY W. PATTISHALL

Mr. Chairman and members of the Subcommittee, I thank you for the opportunity to have addressed you in the hearing held on March 15, 1988, and to supplement that testimony with this written statement. I am sponsored in my testimony by the United States Trademark Association, but I speak only in my personal capacity as a lawyer who has practiced trademark and unfair competition law for 42 years and who is vitally interested in making the United States trademark law as good as it possibly can be.

The Lanham Act, the statute to be amended by S. 1883, replaced the Act of 1905 and became effective forty-one years ago. It was principally authored by the late Edward S. Rogers, then my senior partner, and it was a brilliant statutory creation when it was enacted. It has served as a sound legal framework for the development and maturation of our trademark law and has beneficially influenced trademark law worldwide. I commend S. 1883 to you as the best and most comprehensive effort ever made to improve the Lanham Act.

It is appropriate and timely now to amend the Lanham Act to facilitate its capacity to deal realistically with the profound changes in the marketing of goods and services which have occurred domestically and internationally largely during the last four decades. S. 1883's additions and improvements will bring United States trademark and unfair competition law into the twenty-first century as the world's best.

Under S. 1883, for the first time our federal law will encompass all three of the fundamental varieties of trade identity damage: (1) the classic confusion of source tort; (2) the tort of dilution of distinctiveness; and (3) the tarnishment, disparagement or misrepresentation torts.

As to the traditional confusion tort, the amendments leave intact the likelihood of confusion rationale as the touchstone of trademark infringement. Adoption of the "intent to use" basis and prerequisite for beginning, limited trademark registration rights, however, is long overdue in our law. At present, we are the world's only nation requiring use of a mark even before filing for registration. Under S. 1883, beginning protection for new marks can be had before actual commercial use has been launched, and without all its attendant investments of time, effort and expense.

The second type of trademark injury - dilution - is made expressly actionable by S. 1883. For decades, many have advocated federal statutory anti-dilution protection. During the past forty years, twenty-three states have adopted anti-dilution statutes. I believe the anti-dilution provision is S. 1883's most substantively beneficial feature.

The third type of trade identity torts - those in the nature of tarnishment, disparagement and misrepresentation- also are addressed effectively by S. 1883. The courts have prohibited these wrongs in the past, but to do justice, sometimes have been compelled to stretch the existing statutory language. The amendments prescribed by S. 1883 to deal with these injuries are appropriate and needed improvements.

In sum, I commend the Bill to this subcommittee as it stands and, as it stands, I would be delighted to see it enacted into law. Not surprisingly, however, I have some recommendations which I believe would improve the Bill materially. I urge particularly that the anti-dilution provisions would be improved significantly by changing one word, namely, changing the testing adjective "famous" to "distinctive." Should not the owners of "distinctive," although not necessarily "famous," trademarks likewise be entitled to protection against the diluting destruction or gradual diminishment of their trademark assets? I believe that protection against the dilution tort should not be limited to the few who are owners of "famous" marks, but also should be provided to protect the "distinctive quality" of all "distinctive" marks. Such protection corresponds to that afforded under the twenty-three state anti-dilution statutes and the model state anti-dilution act, which also was drafted and sponsored by the United States Trademark Association. I submit that our courts today are quite competent to construe such a statute without abuse or overreaching.

In conclusion, I find little else to question in the extensive revisions embraced by S. 1883. I respectfully commend Senator DeConcini for his sponsorship of S. 1883. I commend the Trademark Review Commission for its excellent professional work of great public benefit. I commend the United States Trademark Association for its initiation and sponsorship of that work. May I also note for particular commendation Mrs. Dolores Hanna, the patient but unswervingly dedicated Chairman of the Trademark Review Commission, Mr. William A. Finkelstein, President of the United States Trademark Association at the time of launching the effort which has led to S. 1883, and Mr. Jerome Gilson, the distinguished Reporter of the Commission. I submit that this undertaking is a manifestation of democracy in action, functioning at its pragmatic best.

Please accept my thanks for the opportunity to appear before this Subcommittee to submit this statement, which I request be made of record in this hearing.

Respectfully submitted,

Beverly W. Pattishall
Chicago, Illinois

SUPPLEMENT TO STATEMENT
OF BEVERLY W. PATTISHALL

QUESTION (from Senator DeConcini)

> Can you provide some examples of trademark dilution cases on the state level, and your views on whether they would have been similarly decided under the proposed federal law?

RESPONSE

In the following cases, relief was granted on the ground of the applicable state anti-dilution statute. In Mobil Oil Corp. v. Pegasus Petroleum Corp., 229 USPQ 890 (S.D.N.Y. 1986), affirmed on other grounds, 2 USPQ 2d 1677 (2d Cir. 1987), the word PEGASUS for a petroleum trading company was held to dilute Mobile's flying horse symbol. In Blue Cross & Blue Shield Ass'n v. Blue Cross Mutual Clinic, Inc., 612 F. Supp 41, 227 USPQ 474 (S.D. Fla 1985), BLUE CROSS for a medical clinic was held to dilute the BLUE CROSS mark for health insurance. In Hallmark Cards, Inc. v. Hallmark Dodge, Inc., 634 F. Supp. 990, 229 USPQ 882 (W.D. Mo. 1986), HALLMARK DODGE was held to dilute HALLMARK CARDS. In Arthur Young Inc. v. Arthur Young & Co., 579 F. Supp. 384, 224 USPQ 166 (N.D. Ala. 1983), ARTHUR YOUNG for executive search services was held to dilute ARTHUR YOUNG & COMPANY for accounting services. In Hyatt Corp. v. Hyatt Legal Services, 736 F.2d 1153, 222 USPQ 669 (7th Cir. 1984), HYATT LEGAL SERVICES was held to dilute HYATT for hotel services. In Wedgwood Homes, Inc. v. Lund, 659 P.2d 377, 222 USPQ 446 (Ore. 1983) (en banc), WEDGWOOD DOWNS and WEDGWOOD PLACE for apartments were held to dilute the local mark WEDGWOOD HOMES for real estate development. With the possible exceptions of the PEGASUS, BLUE CROSS and HYATT cases (which might be "borderline" famous marks), I have considerable doubt as to whether the marks in these cases would have qualified as "famous" marks under the proposed standards in S. 1883.

To recite a few examples in which no relief was granted, in ITT Corp. v. XTRA Corp., 225 USPQ 723 (D. Mass. 1985), XTRA was held not sufficiently distinctive to qualify for protection under the Massachusetts anti-dilution statute. In Sally Gee, Inc. v. Myra Hogan, Inc., 669 F.2d 621 217 USPQ 658 (2d Cir. 1983), SALLY GEE for high-priced women's apparel was held not to dilute SALLY GEE for low-priced women's sweaters. And in Allied Maintenance Corp. v. Allied Mechanical Trades, Inc., 42 N.Y.2d 538, 369 N.E.2d 1162, 399 N.Y.S.2d 628 (1977), ALLIED for maintenance, installation and repair of air conditioning, heating and ventilating equipment was held not to dilute ALLIED for office building cleaning and maintenance. Clearly the same results would have been reached in these cases under S. 1883.

Senator DeConcini. Mr. Pattishall, thank you. We welcome that statement. If you could include, because of time limitations this morning, why a discussion of distinctiveness versus famous, it would be helpful in our deliberations.

Mr. Pattishall. I certainly shall, sir.

Senator DeConcini. Mr. Uilkema?

STATEMENT OF JOHN K. UILKEMA, CHAIRMAN, SECTION OF PATENT, TRADEMARK AND COPYRIGHT LAW, AMERICAN BAR ASSOCIATION, CHICAGO, IL, ACCOMPANIED BY ROBERT W. SACOFF, CHAIRMAN, SPECIAL COMMITTEE TO STUDY AND MAKE RECOMMENDATIONS ON THE LANHAM ACT

Mr. Uilkema. Good morning, Mr. Chairman. I am here this morning as chairman of the Section of Patent, Trademark and Copyright Law of the American Bar Association. I speak for approximately 7,300 members of the section in thanking you for the opportunity to appear here today and to speak in support of five important principles of S. 1883.

Appearing with me today is my colleague, Robert Sacoff, who chairs a special committee of our section created to study and make recommendations on the Lanham Act revisions which have become the subject of this bill. Mr. Sacoff will assist me in answering your questions.

Except where otherwise noted, the views which Mr. Sacoff and I express here today are those of our section and not of the entire ABA and should not be construed as representing ABA policy.

With your permission, Mr. Chairman, I request that our written statement be inserted into the record along with the attached copy of the letter I earlier addressed to you.

Senator DeConcini. Without objection, your statement will be in the record following your oral presentation.

Mr. Uilkema. In summary, our section supports in principle five important provisions of the bill: intent to use, antidilution, perfecting security interests in registered trademarks by recordation in the U.S. Patent and Trademark Office, prohibiting misrepresentation about a competitor's product, and expanding the language of section 43(a) of the Lanham Act concerning protection against unfair competition.

Our views on intent to use and section 43(a) have been endorsed by the American Bar Association House of Delegates. This means that we are speaking on behalf of the entire 320,000-member association as to those aspects.

I believe it is worth emphasizing that our support of these principles has been longstanding and that the amendments in point address longstanding concerns of the trademark bar. I'll now devote a few comments to each of the principles which we are here to support.

The ABA has favored enactment of intent-to-use amendments to the Lanham Act since 1965. We believe intent to use would provide greater commercial certainty in adopting new trademarks and also reduce the disparity in treatment between U.S. and foreign applicants. The benefits of intent to use would be felt by small and large companies alike, but particularly by the small startup company to which early and confident trademark protection is so crucial.

The PTC section has favored enactment of an anti-dilution provision since 1979 because the whittling away of a recognized mark's commercial magnetism is an injury properly remedied by Federal legislation. The section has approved a system of perfecting security interests in registered trademarks based on recordation in the U.S. Patent and Trademark Office and it supports the principle as embodied in S. 1883.

The section, since 1982, has favored legislation to close the gap in the Lanham Act and overrule a line of case law holding that misrepresentations about a competitor's products are not actionable under section 43(a). The section, therefore, supports S. 1883 in this respect and in adopting language that has been approved by the ABA since 1968 prohibiting disparagement of another's products and services.

In concluding, I would like to explain that the positions of our section are adopted each year by open debate of all members present at the annual meeting in August. This particular bill was introduced in November of 1987 after our August meeting. That explains why I'm not commenting on each and every aspect of the bill. My absence of comment about a particular aspect should not be interpreted as an expression of opinion either for or against it. We do expect this coming year to take up the entire bill and to have positions on literally all aspects of it, and we'll make those known to your committee as soon as possible.

Senator DeConcini. It would be most helpful.

Mr. Uilkema. I want to thank you again for giving us the opportunity to be here today.

[The prepared statement of Mr. Uilkema, along with questions and answers, follows:]

STATEMENT OF JOHN K. UILKEMA

Good morning Mr. Chairman and distinguished members of the Subcommittee on Patents, Copyrights and Trademarks. I am John K. Uilkema, the Chairman of the American Bar Association Section of Patent, Trademark and Copyright Law.

I speak for the approximately 7,300 members of the Section in thanking you for the opportunity to appear before you, and to speak in support of five important principles embodied in S. 1883. Appearing with me here today is my colleague, Robert W. Sacoff, who chairs the special committee the Section has created to study and make recommendations on the Lanham Act revisions which have become the subject of S. 1883. Mr. Sacoff will assist me in answering your questions.

Except where otherwise noted, the views Mr. Sacoff and I express today are expressed solely on behalf of the Section of Patent, Trademark and Copyright Law. They have not been submitted to, nor approved by, the House of Delegates or Board of Governors of the ABA, and therefore, should not be construed as representing Association policy.

With your permission, Mr. Chairman, I request that our written statement be inserted in the record of the hearing, along with the attached copy of our letter to you as Chairman, explaining our Section's views.

In summary, our Section supports in principle five important provisions of S. 1883: (1) intent-to-use; (2) anti-dilution; (3) perfecting security interests in registered trademarks by recordation in the U.S. Patent and Trademark

Office; (4) prohibiting misrepresentations about a competitor's product; and (5) expanding the language of Section 43(a) concerning protection against unfair competition. Our views on intent-to-use and Section 43(a) language have been endorsed by the ABA House of Delegates. I believe it is worth emphasizing that our support of these principles has been long-standing, and we believe the amendments in point address long-standing concerns of the trademark bar. I will now devote a few comments to each of the principles.

One of the most important decisions a company can make is the selection of a trademark for a new product line. This applies to large, established companies as well as small, "start-up" companies. For franchised business systems, trademark selection is especially critical because the house brand name becomes the heart of the entire system. Missteps can lead to expensive infringement litigation and the necessity of switching to another trademark. As a matter of policy, trademark law should therefore maximize the certainty with which new trademarks can be selected.

Current U.S. trademark registration procedure fails to maximize certainty in selecting new marks because the mark must be in "use" before an application can be made for its registration. Therefore, its owner must either invest the substantial resources and effort required by a commercial launch of a new trademark and product, or it must rely on a "token use" of the mark. The former approach puts the cart before the horse -- requiring substantial investment in a mark before it has cleared the prophylactic hurdles of examination and opposition. The latter approach is unsatisfactory because it perpetuates the fiction that a de minimis single transaction satisfies the use requirement. Furthermore, the effectiveness of the token transaction has become a prime issue of contention when there is a contest over ownership and priority. A substantial body of case law has developed on what constitutes a sufficient first use, but the decisions are not fully consistent. U.S. trademark registration procedure, as presently interpreted, is also discriminatory against American companies, in favor of foreign companies. Foreign companies do not have to comply with the prior use requirement when applying for U.S. trademark registrations.

We believe intent-to-use based trademark applications will reduce the disparity in treatment between U.S. and foreign companies, increase certainty in selecting marks, and relieve trademark owners from the anomalous token use requirement. This will particularly benefit small and start-up companies without the marketing resources in place to make "convincing" token uses. Twenty three years ago, the PTC Section and the ABA House of Delegates approved the following resolution:

> American Bar Association favors providing for the filing of trademark applications based upon intention to use. SPECIFICALLY, ABA APPROVED S. 2313, 89th Congress. (Passed 1965 SP49 - ABA 1965 - R22).

This remains current policy of the ABA.

The second Lanham Act revision in S. 1883 which the PTC Section has long favored is enactment of an anti-dilution provision. In 1979, the PTC Section adopted the following resolution:

> Section favors in principle the concept of a federal anti-dilution statute which would be available in appropriate situations to the owners of federal trademark registrations. (Passed 1979 SP82 - R201 - 3).

The Section reaffirmed its endorsement of this principle at its mid-winter 1988 meeting.

Anti-dilution statutes have been enacted by twenty-two states since 1947, when Massachusetts passed the first such statute. They protect a recognized trademark's "selling power," "advertising power," and "commercial magnetism" against gradual chipping-away by unauthorized uses on different types of products. This is a different kind of injury than trademark infringement. Infringement requires a likelihood of confusion. Dilution is the unauthorized use of a recognized trademark in an unrelated product area which reduces the mark's uniqueness or distinctiveness. The injury of dilution occurs even in the absence of a likelihood of customer confusion or intentional passing off.

Dilution is an injury to distinctive trademarks that should be made actionable under federal law. In today's marketing environment of electronic media, mass merchandising and nation-wide distribution, the same strong justifications exist for federal treatment of the dilution problem as exist for federal protection of trademarks from infringement.

The third principle of S. 1883 endorsed by the PTC Section is the perfection of security interests in trademarks subject to federal registration or application by recordation in the U.S. Patent and Trademark Office. In 1987, the Section approved the following resolution:

> Section favors in principle the enactment of legislation providing for the recordal by the Patent and Trademark Office of Security interests in patents and trademarks and that this recordal shall preempt other places of recording and provide superior rights over later bona fide purchasers. (Passed 1987).

In recent years we have seen the increasing incidence of pledging registered trademarks as collateral to secure commercial indebtedness. By providing for a dispositive central location for recording and thus perfecting security interests in such trademarks, namely the U.S. Patent and Trademark Office, S. 1883 will increase commercial certainty and facilitate lending transactions in which such trademarks are important.

The fourth principle of S. 1883 endorsed by our Section is making actionable under Section 43(a) of the Lanham Act misrepresentations about the goods or services of another. While common sense would lead us to assume such activities must already be prohibited by the Lanham Act, there is a line of case law holding they are not, e.g., Bernard Food Industries v. Dietene Co., 415 F.2d 1279 (7th Cir. 1969), cert. denied 397 U.S. 912 (1970). In this case, the defendant made representations in its advertising about plaintiff's custard mix and its flavor, texture, nutrition and cost. Plaintiff challenged these representations in a false advertising claim under Section 43(a), but the court held there was no cause of action because that section applied only to a defendant's misrepresentations about its own products. The case has been followed by other courts.

To close the gap in the statute represented by the Bernard Foods line of cases, the PTC Section approved the following resolution in 1982, and reaffirmed it at its 1988 mid-winter meeting.

> Section favors, in principle, the amendment of Section 43(a) of the Lanham Act to make it unlawful for a competitor to misrepresent the goods or services of another. (Passed 1982 SP129 - R205 - 1).

Our Section has also endorsed, along with the House of Delegates of the ABA, certain earlier proposed legislation which parallels certain language in S. 1883 implementing the Section 43(a) amendment discussed above. In 1968, the PTC Section recommended approval of and the ABA House of Delegates approved the following resolution:

> American Bar Association approves the proposed "Unfair Competition Act of 1967" (S. 1154, 90th Cong., First Sess.; the McClellan-Scott Bill), provided that Section 7 thereof (Section 43[a] of the proposed legislation) be modified to read in substance as follows: "Sec. 43[a] Any person who shall engage in any act, trade, practice, or course of conduct, in commerce, which--(1) causes or is likely to cause confusion, mistake, or deception as to the affiliation, connection, or association of such person, or as to the origin, sponsorship, or approval of his goods, services, or vocational

> activities which he offers as or for those of any other person; or (2) by a false or misleading representation or omission of material information, misrepresents his goods, services, vocational activities, or their geographic origin; or misrepresents or disparages another person's goods, services, vocational activities, or their geographic origin; or (3) results or is likely to result in the wrongful disclosure or misappropriation of a trade secret or confidential information; or (4) without being limited to or by the foregoing subsections (10 through (3), otherwise constitutes unfair competition by misrepresentation or misappropriation, shall be liable in a civil action for unfair competition. (Passed 1968 CR XVII - ABA 1968)

The language noted above includes much of the same language contained in S. 1883 with respect to misrepresentation or disparagement of a competitor's goods or services.

The positions of the Patent Trademark and Copyright Law Section of the American Bar Association are established by open debate of all members of the Section present at the annual meeting of the Association held each year in August. The present bill was introduced in November of 1987, after the Associations's 1987 Annual Meeting. This explains why the Section does not have a position on the various aspects of the bill about which I have not commented. My absence of comment about a particular aspect or detail of the bill should not be interpreted as an expression either for or against that aspect or detail. The PTC Section will be developing more comprehensive, formal positions on the remaining principles and details of S. 1883 at its annual meeting this summer, and we will submit a supplemental statement to this Subcommittee thereafter. We expect to complete this process in August,

1988. Meanwhile, we hope the views expressed in this statement are helpful to the Subcommittee. We believe it is significant that the fundamental principles discussed above have been long endorsed by our organization, and we enthusiastically support S. 1883 to the extent it would implement these principles. We would be happy to answer any questions you may have.

Thank you for giving us this opportunity to appear before your subcommittee.

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March 2, 1988

The Honorable Dennis DeConcini, Chairman
Committee on the Judiciary
Subcommittee on Patents
Copyrights and Trademarks
Hart Senate Office Building
Washington, D.C. 20510

S.1883 - Trademark Law
REVISION ACT OF 1987

Dear Mr. Chairman:

I am writing to express the support of the American Bar Association Section of Patent, Trademark and Copyright Law, for certain principles embodied in the Trademark Law Revision Act of 1987. Except where otherwise noted, these views are being submitted solely on behalf of the Section. They have not been submitted to, nor approved by, the Board of Governors or House of Delegates of the ABA, and, therefore, should not be construed as representing Association policy.

The PTC Section, founded in 1894, was the first ABA Section created to deal with a special branch of the law. It has a membership of 7,300 lawyers and is believed to be the largest national affiliation of intellectual property lawyers in the world. The Section studies federal trademark legislation on an ongoing basis through a standing committee. For the last two years, a special ad hoc committee has also considered revisions to the Lanham Trademark Act such as those contained in this bill.

Major parts of S.1883 represent reforms that the PTC Section has supported in principle over the years:

Intent to Use - In 1965, upon the recommendation of the PTC Section, ABA House of Delegates approved the following resolution:

> American Bar Association favors providing for the filing of trademark applications based upon intention to use. SPECIFICALLY, ABA approves S.2313, 89th Congress. (passed 1965 SP 49 - ABA 1965 - R22)

Although adopted in 1965, this remains a current position of vital concern to the association. We believe intent-to-use will increase certainty as to the availability and protectability of new trademarks, while doing away with the doctrine of token use to reserve a mark. Token use tends to be discriminatory in favor of large companies that can afford to set up token uses, and it perpetuates legal and commercial fictions. It also has produced a body of case law fraught with the potential for inconsistent results.

Anti-Dilution - In 1979, the PTC Section approved the following resolution:

> Section favors in principle the concept of a federal anti-dilution statute which would be available in appropriate situations to the owners of federal trademark registrations. (Passed 1979 SP 82 - R201 - 3)

The Section's support of this principle was reaffirmed at its 1988 mid-winter meeting. Dilution, the chipping away of a well-known mark's distinctiveness by uses of similar marks in unrelated fields, has long been recognized as a serious injury to the owners of such marks. We believe a federal cause of action should be available to redress this type of injury.

Security Interests - In 1987, the PTC Section approved the following resolution:

> Section favors in principle the enactment of legislation providing for the recordal by the Patent and Trademark Office of Security interests in patents and trademarks and that this recordal shall preempt other places of recording and provide superior rights over later bona fide purchasers. (Passed 1987)

With the increasing importance of security interests in trademarks and patents, it has become equally important to designate a dispositive central location and method for perfecting such security interests. The logical choice is recordation with the U.S. Patent and Trademark Office.

False Advertising - In 1982, the PTC Section approved the following resolution:

> Section favors, in principle, the amendment of Section 43(a) of the Lanham Act to make it unlawful for a competitor to misrepresent the goods or services of another. (Passed 1982 SP 129 - R205-1)

The Section's support of this principle was reaffirmed at its recent mid-winter meeting. The amendment is intended to close a gap in the existing statutory language and overturn a line of case law holding only misrepresentations about one's own products to be actionable, and not misrepresentations about the products of another.

Unfair Competition - In 1968 the ABA House of Delegates approved the following resolutions:

> American Bar Association approves the proposed "Unfair Competition Act of 1967" (S.1154, 90th Cong., First Sess.; the McClellan-Scott Bill), provided that Section 7 thereof (Section 43[a] of the proposed legislation) be modified to read in substance as follows: "Sec. 43[a] Any person who shall engage in any act, trade, practice, or course of conduct, in commerce, which--(1) causes or is likely to cause confusion, mistake, or deception as to the affiliation, connection, or association of such person, or as to the origin, sponsorship, or approval of his goods, services, or vocational activities which he offers as or for those of any other person; or (2) by a false or misleading representation or omission of material information, misrepresents his goods, services, vocational activities, or their geographic origin; or misrepresents or disparages another person's goods, services, vocational activities, or their geographic origin; or (3) results or is likely to result in the wrongful disclosure or misappropriation of a trade secret or confidential information; or (4) without being limited to or by the foregoing subsections (1) through (3), otherwise constitutes unfair competition by misrepresentation or misappropriation, shall be liable in a civil action for unfair competition. (Passed 1968 CR XVII - ABA 1968)

Subsequently in 1973, 75 and 76, the PTC adopted a series of additional positions supporting a Federal Law of Unfair Competition. These resolutions follow.

> Section reaffirms its approval in principle of the enactment of a Federal Law of Unfair Competition by amending the Trademark Act of 1946 and specifically approves S.1362, 93d Congress, First Session, introduced by Senators McClellan and Scott on March 26, 1973. (Passed 1973 SP 140 - R53)
>
> Section reaffirms its approval in principle of the enactment of a Federal Law of Unfair Competition by amending the Trademark Act of 1946; and SPECIFICALLY, the Section approves S.31 (McClellan-Scott), 94th Congress, 1st Session, relating to a Federal Law of Unfair Competition. (Passed 1975 SP 1 - R26)
>
> Section reaffirms its approval in principle of amendment of the Trademark Act of 1946 to protect persons against any act, trade practice, or course of conduct, in commerce, which (1) causes or is likely to cause confusion, or (2) results or is likely to result in passing off, of goods, including their nonfunctional features, services or vocational activities, or misrepresents or disparages them, or (3) results or is likely to result in disclosure or appropriation of a trade secret, or (4) otherwise constitutes unfair competition by misrepresentation or misapporpriation; and SPECIFICALLY, the Section recommends the enactment of S.31 (McClellan-Scott), 94th Congress, 1st Session, relating to a Federal Law of Unfair Competition. (Passed 1976 SP 97-R26)

The proposed amendments to Section 43(a) are similar in part to the amendatory language of S.1883.

Parts of S.1883 not discussed above are subject to active on-going consideration by the PTC Section. We anticipate reaching a comprehensive position on the remaining aspects of S.1883 at the annual meeting later this year. A supplemental statement on S.1883 will be submitted immediately after the ABA Meeting in mid-1988 to complete this input to the Congress. Meanwhile, we hope it is beneficial to the Congress to know that the important principles of S.1883 discussed above have long been endorsed by the PTC Section and, to the extent indicated, by the American Bar Association.

We would be happy to provide further detail on any of the points discussed above, and we appreciate the opportunity to express our views to the Committee on this important legislation.

Sincerely,

John K. Uilkema

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March 29, 1988

The Honorable Dennis DeConcini,
Chairman Subcommittee on Patents,
Copyrights and Trademarks
Room SH-327 Hart Senate Office Building
Washington, D.C. 20510

Dear Mr. Chairman:

Thank you for your letter of March 17, 1988 relating to the hearings your Subcommittee held on S. 1883, the Trademark Law Revision Act of 1987.

Many of the questions raised in your letter by you and Senators Grassley and Hatch have not been considered by the ABA or by the Section of Patent, Trademark and Copyright Law. Therefore, unless otherwise noted in my answers to your questions, my answers represent only my views and the views of my colleague, Robert W. Sacoff, who assisted me in preparing these answers, as private practitioners. Our personal views do not represent the official views of the American Bar Association or the Section of Patent, Trademark and Copyright Law. In those instances where I note that I am answering on behalf of the Section of Patent, Trademark and Copyright Law, I am expressing the views solely on behalf of that Section since those particular views were not submitted to, nor approved by, the House of Delegates or the Board of Governors of the ABA and therefore, should not be construed as representing ABA policy.

I would appreciate it if you would make this letter a part of the record of your hearings so that the capacity in which I respond will be fully clarified.

Thank you again for giving me this opportunity to testify at the hearings on this important matter.

Sincerely,

John K. Uilkema /RWS

John K. Uilkema

QUESTION FOR THE ABA (Senator DeConcini)

> Why is it so important for us to create a centralized system for the filing and perfecting of security interests in federally registered trademarks? Will this affect state filings? Will the proposed system put an additional burden on the Patent and Trademark Office or on secured parties? What makes federally registered trademarks so different?

RESPONSE (on behalf of PTC Section)

The commercial practice of pledging assets as collateral to secure debts is founded, in part, on the premise that there is a place where would-be lenders can investigate whether any encumbrances on those assets already exist which diminishes their value as security, and where actual lenders can place a notice of their security interests in property owned by their borrowers. In the case of tangible assets, this place usually is a governmental office in the locality where the asset physically is located. But, at present, there is doubt as to where such filings should be made and searched for in the case of intangible assets such as trademarks.

Because federally registered trademarks are listed on a register in the Patent and Trademark Office, it makes sense that information regarding liens against such registrations be recorded in the same place. Indeed, the present statute contemplates such recordals. The proposal embodied in S. 1883 simply makes mandatory what is now permissive and makes clear that which now is doubtful. In the case of federally registered marks owned by foreigners, the PTO may be the only place a security interest can be recorded.

Centralizing the filing of financing statements for federally registered trademarks in the PTO should not adversely affect the level of state filings or the income derived therefrom, because, most often, security interests are taken not only in federally registered marks but also, more generally, in all marks, all general intangibles, and all assets owned by the borrower. Thus, there still would be a need to file financing statements at the local level.

There might be an increased level of filings at the PTO, although this is not certain because the better practice even today is to file lien documents at the PTO for safety's sake. But even if there is an increased level of filings at the PTO, it should not pose a burden because the PTO is empowered to allocate all of its costs in maintaining its records to system users and recover those costs as user fees.

The burden on secured parties might be increased slightly because, under the proposed system, it clearly would be necessary to record an "all assets" financing in at least two places. However, given the increased commercial certainly inherent in the proposed new system, the cost of any additional burden would be more than offset by the system's benefits.

QUESTION FOR THE ABA (Senator DeConcini)

> Do you believe that dilution should be grounds for a proceeding in the Patent and Trademark Office whereby a person could oppose another's registration on the basis of dilution?

RESPONSE (on behalf of PTC Section)

At first blush, the anti-dilution provision of S.1883 might appear to invite inclusion of "dilution" among the grounds upon which a person might oppose registration of a mark. However, upon analysis, providing for such a ground of opposition is both unnecessary and contrary to the best interests of the Trademark System for the following reasons:

First, the provision does not preclude dilution actions from being brought against the owner of a registration if the plaintiff owns a federal registration of its own mark. Such an action would be available under Section 43(a), as amended.

Second, to the extent that the provision would preclude a dilution action from being brought by the owner of an unregistered mark, the provision constitutes a powerful incentive for registration. Encouraging registration is (and should be) a principal goal of our trademark system. The more accurately the Register reflects the marketplace, the more confidently it may be relied upon by persons wishing to clear new marks they wish to use in commerce.

Third, the Trademark Trial and Appeal Board and its members need not and should not be burdened with what, for them, would be new and novel legal issues, the litigation of which before the Board would increase their already heavy workload.

QUESTIONS FOR MR. UILKEMA (Senator DeConcini)

> How do you respond to the claim that the tarnishment and disparagement provision of the Bill is an attack on the First Amendment? What about the claim that it is also an attempt to use the Trademark Law to cut off the parody form of humor in order to preserve the dignity of companies who are in no danger of sustaining any commercial damage?

RESPONSE (by Mr. Uilkema)

There is no First Amendment right to tarnish or disparage the reputation of a person, company or product, either directly or as symbolized by a trademark. The cause of action for tarnishment and disparagement will not preclude protectable exercises of free speech in the form of parody or other forms. The function of courts is to balance the competing interests under the facts and circumstances of particular cases, and to judge whether the interest in allowing parody outweighs, in a particular case, the interest in preventing commercial injury. The courts have exercised this function in deciding the admittedly difficult parody cases before S. 1883, and they will continue to perform that function if and when the proposed amendment becomes law. The beneficial difference S. 1883 will make is that it will provide a clear and understandable cause of action which will free the courts and the parties from straining to litigate and decide tarnishment and disparagement cases under legal doctrines that do not really apply, such as dilution or vague, general reliance on the "common law of unfair competition" under Section 43(a).

QUESTIONS ON TRADEMARK LAW REVISION ACT OF 1987 S. 1883-SECOND PANEL (Senator Grassley)

> The Bill proposes to expand the claim for disparagement of a trademark. Could you please explain the reasons why we need to broaden this claim? Haven't the courts, under the existing Section 43(a) of the Lanham Act, already created a body of federal common law in the area of unfair competition and which provides sufficient remedies?

RESPONSE

The amendment codifies decisional law, and such clarification is the preferred approach in any comprehensive statutory revision, such as S.1883.

> Under the provision creating a right of action for dilution, those with "famous" marks will be entitled to maintain the action. First, why do we need to create a new federal claim? and second, can you elaborate as to how you would expect the courts to decide what qualifies as a "famous" mark? Why should we burden the courts with making such distinctions?

RESPONSE (on behalf of PTC Section)

A federal anti-dilution statute is needed because the type of injury to a trademark described as "dilution" is not encompassed by existing federal law. This type of injury, the diminution of a mark's distinctiveness by unauthorized uses in unrelated product fields, is just as much an injury as trademark infringement, which has always been a violation of the Lanham Act. Both types of injury are particularly appropriate subjects for federal legislation because the market areas for most products and services today are actually or potentially national in geographic scope. The problem with leaving the matter to state legislation is that twenty-three states currently have anti-dilution statutes and twenty-seven do not have such statutes. Accordingly, absent federal legislation, there could be inconsistent results in the two groups of states. This would be disruptive to a national marketing plan. Secondly, courts would determine which marks qualify as being "famous" by applying the seven criteria set forth in Section 29 of S. 1883. Making such determinations is the primary function and purpose of the courts, and determining whether marks are "famous" is no more of a burden or a difficult task than determining whether marks are "arbitrary or fanciful," "suggestive," "merely descriptive," "generic," or have "secondary meaning." These are determinations made by courts in virtually all trademark cases.

QUESTIONS FOR PANEL I AND PANEL III (Senator Hatch) AND RESPONSES

> 1. In his testimony, Mr. Michael Grow notes that "S. 1883 would grant a right of priority as of the filing date of the application before any good will has been created through use. In view of this fact, there remains an unanswered question in my mind as to whether such as law would withstand attack by a person who used a confusingly similar mark in good faith subsequent to an intent to use applicant's filing date but prior to the latter's first use in commerce." To what degree would S. 1883, if enacted, be vulnerable as Mr. Grow describes? Can you think of any situation where this vulnerability would be greater or less? What would that situation be?

RESPONSE

1. The law is not "vulnerable" to attack because the intent-to-use system is rationally and intelligently calculated to protecting rights in trademarks used, and intended to be used, in commerce. It is properly within the commerce clause because substantive benefits under the act remain inchoate until use of the mark in commerce has commenced. According constructive use priority as of the filing date represents a necessary policy choice to protect the party who acts in accordance with the federal system (by searching and filing) over parties who do not act in accordance with the federal system (by not searching or filing). The only "vulnerability" of the act in the conflict postulated is that the intent-to-use registrant would still have to prove likelihood of confusion in order to obtain an injunction against the post-filing, good faith adopter and user. Until and unless the registrant has expanded use of the registered mark to the defendant's trading area, injunctive relief would not be granted. This, however, is essentially consistent with current law.

> 2. In the absence of a use requirement for registration of a trademark, an individual may be able to learn of the creation of a new product and immediately register marks likely to be used on those new products. Similarly an individual may learn of the marks that another company plans to register and rush to register those marks ahead of the creators. How will the requirement that an individual make a bona fide intent registration act to prevent such an individual from extracting money from the creator of the new product or mark? What kind of evidence will suffice to show lack of bona fide intent in this kind of instance? Has the use requirement deterred this kind of piracy in the past?

RESPONSE

2. This question contemplates an intent-based application being filed by one who has improperly gained knowledge of another company's plans to adopt new marks and market new products. As under present law, improper actions and motivations would cause the balance of equities to disfavor the improper actor, and would undoubtedly make the applicant's intent less than bona fide. The circumstances surrounding selection of an intended mark will always be discoverable, and various types of evidence could show a lack of bona fide intent. One example would be that the applicant is not in the business of producing the intended goods, and had no demonstrable plans to enter that business at the time of application. The use requirement has in the past not deterred piracy of the type contemplated because the unscrupulous party with advance and improper knowledge could orchestrate its own token use under prior law or file an application based on a false declaration of use. Furthermore, foreign applicants need not, under the present system, make any use prior to filing their

U.S. application. All they need to do is file an application in their home country. Finally, it must be recognized that the evil contemplated by the question is far more likely to occur under the current system, in which conception, preparation for use, and actual use by the originator of the mark must all take place before an application can be filed. Under the proposed system, in which conception may be followed rapidly by application, the contemplated risk is minimal.

> 3. Under S. 1883, constructive use is established from the time the new mark is filed. Unfortunately the PTO often does not make filings known until several weeks after they have been filed. Therefore, a good faith searcher could fail to discover a recently filed mark and invest substantial amounts in a new business based on a mark assumed to be valid. Would it not be more equitable to make the constructive use begin on the date the filing becomes publicly known?

RESPONSE

3. According priority as of the date the application becomes "publicly known" would require, in effect, a pre-examination publication of the application and security measures to protect pre-published applications from coming to the attention of would-be pirates. Both measures would considerably complicate the registration process and make it more expensive and burdensome. The better approach would be to encourage the Patent and Trademark Office to improve the availability and timeliness of data on newly filed applications. Furthermore, the good faith searcher postulated in the question could defer the actual investment until a follow-up

search could be conducted upon the close of any interim period of data delay from the PTO.

> 4. As mentioned in the hearing, most small businesses do not have trademark counsel when they begin marketing their products or services. Accordingly, these small businesses are not likely to be aware of marks filed with PTO but not in actual use. What protection does S. 1883 and current trademark law contain to ensure that the good will these small businesses have established is not lost to some other business which filed an intent registration three years earlier but only recently began to produce goods?

RESPONSE

4. Businesses small and large are protected by S. 1883 to the extent they have acquired common law rights through use of a mark prior to another company's application filing. This is analogous to present law, under which such businesses are protected to the extent of their common law rights acquired prior to another company's registration. Businesses under both systems are protected also by the ability to learn of future trademark problems by conducting a search. The small businesses contemplated by the question, without trademark counsel, will have to become educated to the necessity of searching to achieve security. This incentive to search is a positive factor in the trademark system. Furthermore, an implicit obligation to search is not an unreasonable burden because small businesses now are already required to search locally in order to clear their proprietorship, partnership or corporate names. Moreover, under present law, all businesses, large and

small, currently run the risk that there is a prior marketplace trademark use of which they are unaware and, as a practical matter, cannot really become aware no matter how hard the search. Thus, there is always going to be some inevitable degree of risk, especially for businesses that do not search.

> 5. Would reduction of the four year period during which an applicant can extend an intent registration reduce the potential for the kind of danger described in the above question?

RESPONSE

5. The same incentive to conduct a clearance search before adopting a new mark would exist irrespective of the length of the period of possible extensions of the use deadline.

> 6. What factors will make an intent registration "bona fide?" Are there any difficulties with limiting the number of intent registrations which any given time, if that cap is reasonably linked the number of new products a registrant may release in a given period of time?

RESPONSE

6. The factors which would make an intent to use a mark bona fide would be quite similar to those presently considered to be evidence of efforts to commercialize a mark. This evidence is necessary to validate a first "token use" to lay the foundation for a use-based application and, ultimately,

the registration of a mark before full-scale use has taken place. The factors which would make an intent to use a mark bona fide would include virtually any evidence showing whether it is reasonable, under the circumstances and normal practices of the trade or industry in question, for the applicant to state it has a genuine intent to use the mark sought to be registered. Obviously it would be pertinent that the applicant is in the business of producing or distributing the goods in question, or is planning to enter that business. It could be equally pertinent that the applicant's intent to use, or to make a final selection from several trademark options, is contingent on the outcome of certain events, such as test marketing or the opposition period. If this approach is commercially reasonable in the trade, such a contingent intent could also be bona fide. It is impossible to provide an exhaustive catalogue of pertinent factors. It is also unwise to take a numerical approach of the type suggested by the question. Trademark law has always followed the equities of the situation and the facts and circumstances of the particular case. Arbitrary numerical limitations are not suitable to trademark law or policy.

> 7. Section 43(a) of the Lanham Act is the major basis in federal law for deceptive advertising litigation. S. 1883 would expand that section to include "omissions of material information." The Federal Trade Commission, which has special expertise in advertising regulation, has not found it easy to determine what is a

> material omission. What standards will courts use to determine what omissions are material? How much litigation would be expected under this new section?

RESPONSE

7. The amendment of Section 43(a) to prohibit "omissions of material information" conforms the statute to what certain federal courts have held already to be covered. The courts would consider the overall impression made by the representations in question, and whether the information omitted rendered those representations substantially false or misleading. If the omitted information did not directly relate to the representations made, and render them substantially false or misleading, the omission would not be actionable. "Material omission" cases have not been numerous even despite the existence of authority that they are supported by the existing form of Section 43(a). It is difficult to predict the extent to which the amendment would encourage new litigation that would not otherwise have been brought.

> 8. This new "material omission" standard would apparently create problems for advertisers who already must cut the information conveyed to fit a 30-second T.V. time slot. How would this change be accommodated in the advertising market?

RESPONSE

8. The courts should apply the "material omission" standard reasonably and realistically in light of space and time limitations on advertising. Since there is already authority for the existence of this cause of action, no necessity for substantial change is foreseen.

> 9. S. 1883 also imposes heightened penalties to violations of Section 43(a). Most advertising claims, even if they do contain some omissions of information in the interest of time, are generally not the kind of violation that involves culpability. What is the reason for increasing the penalties for advertising violations as defined by S. 1883? Why, for instance, multiple damages?

RESPONSE

9. The Lanham Act remedies made applicable to Section 43(a) claims by S. 1883 are always applied subject to the principles of equity and the discretion of the courts. There is no reason to expect this will be any different in future 43(a) cases than it has been in traditional cases of statutory trademark infringement. If there is a case of intentional misrepresentation, the ability to seek multiple damages as a remedy should be no different than in a case of intentional infringement. Furthermore, this statutory change only brings the Lanham Act into conformity with the conclusion reached by most courts of appeals when considering whether Section 43(a) actions now make available the statutory remedies.

> 10. S. 1883 amends Section 14(c) to provide that a registration will not be cancelled if a mark becomes the generic name of an article or substance for which the mark is not registered. When has this occurred? Would failure to cancel a registration for genericness affect the ability of the public or competitors to use the generic term?

RESPONSE

10. If a term becomes generic for insulating vacuum bottles, for example, there is no reason why it must also be deemed a generic term unavailable as a trademark for different goods, e.g. suitcases. Allowing it to be used as a trademark for suitcases would not hamper the ability of competitors or the public to use it as a generic term for insulating vacuum bottles.

> 11. The dilution section would provide some enhanced protections for "famous and distinctive marks." Then in stating the factors to determine whether a mark is "distinctive and famous" the bill lists "degree of inherent or acquired distinctiveness." What is the independent meaning of distinctiveness? How would this be ascertained?

RESPONSE

11. Distinctiveness is the distinguishing capability of a term, its ability to serve as a trademark. Distinctiveness can be measured in several ways. First, arbitrary (e.g. APPLE computers) and fanciful, or coined (EXXON gasoline) terms are inherently distinctive because these terms do not convey descriptive information about the products or services for which they serve as marks. Their entire communicative significance is source significance, i.e. trademark significance. Second, long and exclusive use and widespread advertising and promotion can also increase a mark's distinctiveness because the public is educated to regard it as a

symbol of source. The degree of distinctiveness of a mark is commonly ascertained in trademark cases today by the courts and by the Patent and Trademark Office by reference to these and other factors. There is nothing esoteric in measuring distinctiveness for dilution purposes.

> 12. Another factor for determining the fame and distinctiveness of a mark is its "geographical extent." Does a mark have to be nationwide to enjoy federal dilution protection? Could a mark be "famous and distinctive" enough within a single county or township to gain federal protection? How does the "degree of recognition of the mark in its and in other person's trading area" differ from "geographical extent?"

RESPONSE

12. There is no per se rule that a mark must be known nationwide in order to be either "distinctive" or "famous." Dilution of a mark used only regionally may be a matter of the greatest concern to the owner of that mark. An example of such a situation was the case of Wedgwood Homes, Inc. v. Lund, 659 P.2d 377, 222 USPQ 446 (Ore. 1983) (en banc), in which the plaintiff was a local real estate developer using the mark WEDGWOOD HOMES. Suit was brought and relief was entered under the Oregon anti-dilution statute against the defendant's use of the names WEDGWOOD DOWNS and WEDGWOOD PLACE for apartments. Of course, in order to qualify for protection under a federal statute, it would be a prerequisite that the marks in question be used in such a manner as to affect commerce that can be regulated by Congress. As to the final question, the "degree

of recognition" refers essentially to the portion of the population in a given area which recognizes a trademark as a trademark, as distinguished from the "geographical" extent of a mark's advertising and use in sales.

> 13. What is the duration of use that triggers the duration factor defining famous or distinctive marks? Could a mark be relatively new and yet famous?

RESPONSE

13. There is and should be no per se rule of duration required to qualify as a "famous" mark. Theoretically, a new mark could become famous quickly if its owner made a sufficiently extensive and effective investment in advertising and promoting it to an enormous segment of the national population over a short period of time. Realistically, fame is usually acquired by trademarks as a result of long and extensive sales of good products symbolized by the mark, coupled with advertising, promotion and widespread public pleasure in the product and recognition of the mark.

> 14. These factors seem to be each relatively subjective. What amount of litigation is likely to be necessary to find an accepted meaning for these terms?

RESPONSE

14. The factors are no more subjective than most of the criteria used everyday in trademark law, such as descriptive or generic significance, secondary meaning, and likelihood of confusion. This is because much of trademark law depends on

the state of mind of the purchasing public. Nonetheless, all these subjective factors can be measured by various objective types of evidence, ranging from public perception surveys to sales figures and advertising expenditures.

> 15. In a recent case, the term "Hyatt" was considered distinctive and famous. Would this holding be incorporated or excluded from the case law informing the creation of this new federal provision? In other words, under the federal law, would Joel Hyatt Legal Services or other personal uses of the term "Hyatt" be enjoined?

RESPONSE

15. The Hyatt case was decided under the Illinois anti-dilution statute, the standards of which differ from those proposed by S. 1883. "Hyatt" is a very well-known, widely advertised and long-used service mark for hotel services, and it would not be surprising to see a court find it qualifies as a "famous" mark and that its owner is entitled to relief under the proposed statute.

> 16. In some discussions with staff, the subjectiveness of the dilution standard has been defended with the notion that coined or fanciful marks could not possibly have uses as marks other than by those who wish to "trade on" the popularity of a famous mark. What would be the implications of limiting the dilution section to coined or fanciful marks, like KODAK?

RESPONSE

16. The consequence of limiting anti-dilution protection to coined or fanciful marks, like KODAK, would be to exclude from protection many famous marks with acquired distinctiveness that should be included.

> 17. Could dilution provisions deprive an individual of use of their family name in their family business? How about geographic terms?

RESPONSE

17. Personal names have always presented special equities and special problems in trademark cases, and the techniques courts have developed for dealing with personal names in infringement cases would undoubtedly be adaptable to dilution cases. The same would hold true for the special issues attendant to place names.

> 18. S. 1883 defines dilution as a "lessening of the distinctive quality of a famous mark " Is dilution limited to uses of an identical mark on wholly different products or does the term embrace mere similarity? How much similarity is necessary to trigger dilution protection? Under trademark law, the similarity problem is defined by the adjective "confusingly." What defines the degree of similarity involved with dilution protection? Can you suggest a way to deal with this similarity problem?

RESPONSE

18. Dilution actions should not be limited to uses of the identical mark. Otherwise, a small variation on the stylized form of the famous COCA-COLA logo would defeat relief, and action against the marks KODACK, KODAKK and KODAC would not be available to the owner of the famous KODAK mark. The U.S. courts have many decades of experience in determining, on a case-by-case basis, how similar two marks must be in order to create a likelihood of confusion, mistake or deception. These same courts will be competent to determine whether a challenged use is of a mark so similar as to lessen the distinctive quality of a famous mark.

Senator DECONCINI. Thank you, Mr. Uilkema.
Mr. DeGrandi?

STATEMENT OF JOSEPH A. DeGRANDI, PRESIDENT, AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION, ACCOMPANIED BY ALBERT ROBIN, LAW FIRM OF ROBIN, BLECKER & DALEY, NEW YORK, NY

Mr. DEGRANDI. Thank you, Mr. Chairman. I'm appearing today as the president of the American Intellectual Property Law Association. I'm very pleased to say that the association fully supports the bill, S. 1883.

The reasons for our support are fully set forth in our statement which we have submitted to the committee. The bill has been fully considered by the appropriate committee of our association. The committee approved the bill in toto. It was discussed at the board of directors' meeting, and the board approved the bill. I am pleased to have with me this morning Mr. Albert Robin of New York, as my associate and a member of the board of directors of AIPLA.

A principal reason why AIPLA supports S. 1883 is that the proposed changes are beneficial to small business. For example, the term of registration of the bill is going to be 10 years. This is going to eliminate many registrations of marks that are not in use. This is going to eliminate the deadwood that is presently in the records at the Patent and Trademark Office.

The bill has a very good definition of use. Now when you run a search to see if a particular mark is available or registrable, and you see that there is a registration that is 6 years old or that there is a registration that is 11, 12, 13 years old, you can rest assured—or you have more assurance—that a particular mark is actually being used commercially by the registrant; you do not have that assurance today when you run a search.

Most importantly, the proposed bill eliminates the token use of marks in interstate commerce. Right now it's very expensive and frustrating for small businesses that want to adopt and use a mark. They've had a search made. The attorney tells them the mark looks like it's available and registrable. They say, "Fine. Let's go ahead and register in the Patent and Trademark Office." You say you cannot register until you first use the mark.

How do you go about doing this? You tell them to put a label on the product and ship the product in interstate commerce.

They say usually, "That's very simple. I'll send it to my uncle or aunt's house in another State."

You have to tell them, "No, that's a sham. You have to make a legitimate use of the mark."

It's bad enough doing this with products; it's even worse when you're trying to establish a use for a service mark where you have to either have token advertisements in at least two States and you actually have to have use or be able to perform the service before you can get legitimate use for the mark. For example, if you want to start a car wash, if you want to start a motel, you select a mark. While the motel or the car wash is being built, you do not have any actual, legitimate use of the mark until you're able to provide the particular services.

The elimination of this token use, the elimination of this expensive procedure of going through and shipping products in interstate commerce or advertising in interstate commerce is going to make the filing and the obtaining of registrations a lot less expensive for the small businessman, and he can obtain his registration much quicker.

All you need under the proposed bill is a bona fide intent to use the mark. When you file your application, you're going to get constructive use of the mark. In other words, the applicant is going to get a measure of protection from the filing date of a particular mark. No longer is he going to be at the mercy of factors beyond his control where today, if you adopt and start using a mark, you file an application to register, and it will take you 6 months or 8 months, sometimes 1 year, to get your registration. In the meantime, until your registration issues, you have no way of knowing if someone else has adopted and used a similar mark on similar products or services in another part of the country. If you're going to expand eventually, as most small businesses always dream of expanding into large businesses, you find that when you expand into that other territory, there's somebody there with prior rights.

We believe that this new law is going to encourage more people to apply for and register their marks. The Register in the Patent and Trademark Office is more accurately going to reflect the realities of the marketplace, and it's going to be a lot less expensive for small business to obtain registrations and to get more protection because of their registrations.

The proposed bill is going to considerably assist in weeding out these unused marks. It's going to make more marks available to the applicants or to the small businessman. Hopefully, the passage of this bill, the revision of the Lanham Act, will encourage more businesses to take advantage of the records in the Patent and Trademark Office, to make searches, to clear their marks, to file their applications, get their constructive use, and, therefore, get early priority dates.

The AIPLA believes that S. 1883 should be passed into law. There are many other reasons why we support the bill. Many of those reasons have been discussed by other panelists before me.

I just want to take this opportunity to thank the subcommittee for letting us come here and to be heard on this extremely important bill. Thank you, Senator.

[The prepared statement of Mr. DeGrandi, together with questions and answers, follows:]

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STATEMENT OF

JOSEPH A. DeGRANDI, PRESIDENT

AMERICAN
INTELLECTUAL PROPRERY LAW
ASSOCIATION

BEFORE THE

SUBCOMMITTEE ON PATENTS, COPYRIGHTS AND TRADEMARKS

COMMITTEE ON THE JUDICIARY

UNITED STATES SENATE

MARCH 15, 1988

ON

TRADEMARK LAW REVISION ACT OF 1987 (S.1883)

Formerly AMERICAN PATENT LAW ASSOCIATION (APLA)

The American Intellectual Property Law Association ("AIPLA") is a national society of more than 5,500 members of the bars of the different states engaged in the practice of patent, trademark, copyright, licensing, trade secret, and other laws protecting intellectual property rights. The AIPLA membership includes attorneys in private, corporate, and government practice; lawyers associated with universities, small business, and large business; and lawyers active in both domestic and international transfer of technology and licensing. Because the AIPLA membership includes private practitioners who represent trademark clients ranging from the largest corporations to the smallest individual entrepreneurs, as well as trademark attorneys employed by such businesses, AIPLA is able to comment on trademark legislation from the perspective of business of every size.

AIPLA supports The Trademark Law Revision Act of 1987 ("S.1883"). AIPLA believes that the changes in American trademark law proposed in S.1883 are significant improvements in the law which will increase the efficiency of our brand name system that has well served U.S. consumers and the business community for many decades, and which will enhance the ability of American business to compete with foreign business.

American businesses are presently faced with significant difficulties in finding new marks to adopt for products or services, and in ascertaining with a reasonable degree of certainty the availability of such marks and the scope of protection to which they are entitled. These difficulties arise in large part because of the proliferation of marks which have already been registered and because of the present registration system. S.1883 addresses each of these areas by eliminating substantial "deadwood" (i.e., marks which are still registered but no longer in use) and by making changes in the system by which marks are registered and protected.

Turning to the system of registration first, under present United States law it is necessary that a mark be in use before an application for registration can be filed and before any rights can be obtained therein. Because of the need to insure the availability of a mark before investing in its exploitation and because the mark is often developed before any product is ready for the marketplace, the use-before-application system has led to the making of a "token" use of the mark in order to file a use-based application for registration. The Patent and Trademark Office Tribunals and the Courts have recognized the need for such a procedure by holding certain "token" uses to be sufficient support for a valid trademark registration provided that it is followed within a reasonable time by commercial use. However, there is considerable uncertainty as to what uses qualify and as to what periods of time are reasonable.

Since large businesses are more able to make "token" use than small businesses or individual entrepreneurs (particularly in start-up situations), small businesses are currently in a substantially less favorable position in acquiring trademark rights. In addition, since under the Paris Convention the United States cannot require foreign applicants to make use before filing a United Stated trademark application which is based upon a foreign application or registration (and almost no foreign countries require pre-application use), foreign businesses are in a substantially more favorable position than United States businesses.

S.1883 provides that trademark applications can be based either upon use in commerce or upon a bona fide intention to use the mark in commerce, thus eliminating the anomalous and often burdensome requirement of making a "token" use. S.1883 also redefines "use" to make it clear that "token" use is insufficient to create or maintain trademark rights. S.1883 affords an application based upon intent to use a "constructive use" date as of its filing date which is contingent upon registration. By creating a right of priority against any one other than one who had made use or filed an application earlier than the constructive use date, S.1883 supplies some needed certainty in the acquisition of trademark rights.

S.1883 requires that after an intent-to-use application has been accepted, registration will not issue until the applicant files a verified statement of use. While S.1883 permits up to seven six-month extensions of the time for filing the statement of use, each request for such an extension must be accompanied by a fee and a verified statement of a continued bona fide intention to use the mark in commerce.

In our discussions of S.1883, we have questioned the need for seven six-month extensions of the time within which an intent-to use applicant may file its verified statement of use. The proponents of that number of extensions have stated that they will be used only in those rare cases where the delay in making commercial use is unavoidable. We believe that most applicants will make use as soon as possible since no substantive rights are obtained until use is made and registration issues. Insofar as an applicant seeks to use further extensions to prolong the pendency of a mark which it has no intention to commercialize, it should be deterred by the requirement that each request for a further extension be accompanied by a verified statement of a continued bona fide intent to use the mark in commerce.

The elimination of a requirement of pre-application use will undoubtedly lead to an increased number of applications being filed. S.1883 will encourage the filing of trademark applications because of the enhanced benefits afforded them as well as the elimination of the requirement of pre-application use. Such increased filings should help achieve the desired goal of having the trademark register better reflect the marketplace. However, we do not believe that this increase will result from efforts of large businesses to "hoard" potential marks or to preempt their adoption by competitors. Under the present system, large businesses can apply without penalty to register as many marks as they can include in their "token" use programs and registrations will issue on those applications even though commercial use is never made.

Under S.1883, an intent-to-use applicant will be required to make a verified statement of a bona fide intent to use the mark in commerce (as redefined). An application filed merely to reserve a mark or to preempt it from adoption from a competitor would not only not mature into registration but also would subject the applicant to a charge of making a false statement to Government. We believe that an applicant could well have a bona fide intent to use more than one mark upon a single product, depending upon contingencies such as registrability or the results of market tests. While the applicant could properly file intent-to-use applications for multiple marks, that applicant would be subject to liability if it filed an application to register a mark which it did not have at least a contingent good faith intent to use in commerce.

S.1883 affords certainty to the intent-to-use applicant that use occurring subsequent to its filing date will not create prior rights by providing that the intent-to-use application has a "constructive use" date which is nationwide in effect as of its filing date. In the absence of such a provision, the intent-to-use application would be subject to ambush by anyone who thereafter makes use before the applicant makes use. Fears have been expressed that of such a provision may be unfair to a "good-faith" local user. Since the existence of an intent-to-use application would be uncovered by a search, such a "good-faith" local user would necessarily be one who failed to conduct a search, and one who fails to conduct a search would also be unaware of subsisting registrations which under present law preclude "good-faith" adoption. Moreover, most trademark cases involve differences in the marks and/or in the goods or services. Since "constructive use" relates only to the issue of priority, issues of confusing similarity and entitlement to injunctive relief will continue to be decided under principles of equity.

Foreign applicants whose applications are based upon foreign applications or registrations will not be required by S.1883 to make use in commerce before registration since such a requirement is believed to be incompatible with United States obligations under the Paris Convention. However, such foreign applicants will be required to accompany their applications with a verified statement of a bona fide intent to use the mark in commerce, a requirement absent in the present law. While there will not be complete parity between United States and foreign applicants insofar as pre-registration use is concerned, the elimination of the requirement that the United Stated applicant must make pre-application use will place the two groups in substantial parity.

With respect to the difficulties being encountered by American businesses in finding new marks, S.1883 will decrease the "deadwood" on the trademark register in two ways. First, the registration term will be shortened to ten years. Since the available evidence suggests that many marks fall into non-use prior to the tenth anniversary of their registration, the ten-year term will eliminate these marks from the register ten years earlier.

Second, by redefining use, S.1883 will prevent marks from being registered, maintained or renewed on the basis of "token" use. Under present law and under S.1883, an affidavit of use must be filed in the year preceding the sixth anniversary of a registration, or the registration will be cancelled. Under present practice, such affidavits are at times based upon "token" use. Similarly, under present law and under S.1883, applications to renew a registration must include a verified statement that the mark is still in use. Under present practice, such renewal applications are at times based upon "token" use.

A second area in which S.1883 represents a significant improvement in United States law is in its provisions for obtaining and clarifying the nature of security interests in registered marks. Trademarks are valuable assets, and they form an increasing part of the collateral upon which loans to their owners are made. Under existing law, it is necessary to resort to the intangible property provisions in the Uniform Commercial Code and to record notices with the various state and local authorities indicated therein to attempt to perfect such security interests. S.1883 eliminates this cumbersome and uncertain system by designating the Patent and Trademark Office as the single place for recordal to perfect security interests in registered marks which also will clarify the nature of the security interest obtained thereby.

S.1883 also includes significant improvements in Section 43(a) of the Lanham Act [15 U.S.C. S1125(a)]. S.1883 revises Section 43(a) to conform the language of that section to the interpretation it has received from the courts. In addition, S.1883 also makes it clear that the remedies sections of the Lanham Act apply to Section 43(a) actions. Finally S.1883 provides that false representations about another's product are actionable in the same way as false representations about one's own product. Under present interpretation of Section 43(a), a false representation that one's product contains more of a certain ingredient that a competitor's product could be actionable while a false statement that the competitor's product contains less of that ingredient could not be actionable.

We also support S.1883's removal of the one year use requirement for obtaining a registration on the Supplemental Register, its updating of the Lanham Act definitions, its clarification of the presumptions and evidentiary benefits flowing from registration, and its various other procedural amendments, including its confirmation of the validity of first trademark use by an authorized licensee and its allowing Section 2(f) declarations of acquired distinctiveness to include the time of an applications' pendency in calculating five years of use.

Finally, we support the limited anti-dilution provision of S.1883. Since this provision is not pre-emptive, it will not replace the broader provisions contained in the laws of twenty-three states which have enacted anti-dilution statutes. It will, however, offer to federal registrants limited protection against dilution occurring in other states.

Thank you for the opportunity to appear here today to present our views on S.1883.

* * *

AIPLA Statement in Support of S. 1883

Summary

AIPLA supports the enactment of S. 1883 because that will increase the effectiveness of the United States Trademark System by:

1. Improving the efficiency of the Federal trademark registration system, and thereby reducing the cost and uncertainty of the current system.
2. Eliminating the inherent advantage in registering marks large businesses currently have over small businesses by ending the practice of "token use".
3. Eliminating the advantage foreign businesses have over all U.S. businesses by adopting an "intent to use" standard for registrability.
4. Simplifying procedures for trademark owners to perfect security interests in marks, thereby increasing the ability to use such marks as assets.
5. Codifying court decisions interpreting Section 43(a) of the Lanham Act.
6. Making a number of useful technical amendments to the Lanham Act.

QUESTIONS AND ANSWERS

Questions from Senator DeConcini

1. Does S. 1883 in essence make searching mandatory? Is this an unreasonable demand to place on small businesses or individuals?

We do not believe that S. 1883 makes searching significantly more mandatory than it is at present. Under existing law, a new mark is vulnerable to attach by prior users of both registered marks and unregistered marks. Since it is impossible to be aware of all such uses, it is necessary to conduct a search to uncover registered marks, pending applications and unregistered uses. Searching for registered marks and pending applications is relatively simple since they are available in the Trademark Search Room of the United State Patent and Trademark Office and included in private on-line data bases which can be accessed at modest cost. On the other hand, searching for unregistered uses is fairly difficult and the available data incomplete. The benefits which S. 1883 affords applications will help conform the register to the marketplace, and so will make searching more effective.

In view of the expense which may be imposed upon a business which is required to change a mark after adoption because of a conflict (which can be catastrophic to a small business or individual entrepreneur), we believe that these entities have at present greater need to search than do large businesses. Moreover, we believe that the certainty which is afforded applications by S. 1883 will be at least as valuable to small businesses and individual entrepreneurs as it will be to large businesses.

2. Do you believe that dilution should be grounds for a proceeding in the patent and trademark office whereby a person could oppose another's registration on the basis of dilution?

If ownership of a federal registration is to be a defense to a proceeding under a state anti-dilution statute, we believe that dilution should be a ground for opposition or cancellation.

3. Because this legislation does not create total parity between U.S. citizens and foreigners, are we running the risk of having you come back to congress a year or two from now asking for total parity? Why don't we simply require foreigners to use their marks before registration, or alternatively permit U.S. applicants to obtain registration before they begin use?

Foreign applicants are not required by S. 1883 to make use in commerce before registration because such a requirement is inconsistent with United States obligations under the Paris Convention. Unless there is some change in the treaty, we will not be back asking for complete parity. With respect to the alternative of permitting U.S. applicants to obtain registration before they begin use, we believe such a system to be undesirable.

4. What is meant by bona fide and is this a term that should be defined by statute?

The term bona fide means good faith. It is used in other legal contexts (i.e., bona fide purchaser) and has not required statutory definition. In the context of bona fide intent-to-use, it would require consideration of the ability of the applicant to make use in commerce as well as the nature of its intent.

5. Do you believe there ought to be some specific limit on the number of applications a single company might be able to file?

We believe that the requirement of a bona fide intent-to-use imposes a limitation on the number of applications which can be filed to cover what will ultimately be a single product or service. Since that number depends on a consideration of all of the circumstances (and in some cases it will be one, while in others more than one), we believe any numerical limitation to be inappropriate.

6. Is four years excessive?

In our Statement (page 4), we discussed the reason for the four-year term and checks imposed by S. 1883 on abuses.

7. Do you believe that an applicant should be able to refile after the four-year limit has expired?

While it is conceivable that an applicant can continue to have a bona fide intent-to-use after the four-year limit has expired, we believe that such situations will be very infrequent. If an applicant continues to have such an intent in a situation where it has been unable to make use of the mark in commerce for four years because of unusual circumstances, it would seem unfair not to permit the refiling of an application.

Questions from Senator Grassley

1. The bill proposes to expand the claim for disparagement of a trademark. Could you please explain the reasons why we need to broaden this claim? Haven't the courts, under the existing section 43(a) of the Lanham Act, already created a body of federal common law in the area of unfair competition and which provides sufficient remedies?

The reasons for the addition of a claim for disparagement to the scope of Section 43(a) are set forth in the Report and Recommendations of the USTA Trademark Review Commission. We agree with those reasons.

2. Under the provision creating a right of action for dilution, those with "famous" marks will be entitled to maintain the action. First, why do we need to create a new federal claim? And second, can you elaborate as to how you would expect the courts to decide what qualifies as a "famous" mark? Why should we burden the courts with making such distinctions?

A federal claim for dilution is needed for those states which have not adopted an anti-dilution statue. We believe that the courts will decide what qualifies as a famous mark by following the criteria set forth in subsection (A) - (G) of proposed Section 43(a)(1). We do not believe this task will unduly burden the courts.

Questions from Senator Hatch

1. We do not share Mr. Grow's concern that Congress lacks the power to give an applicant priority as against one who makes use after that applicant's filing date. As set forth on pages 5-6 of our Statement, we believe that the benefits of certainty resulting from "constructive use" far outweigh the detriments described by Mr. Grow.

2. We do not understand the fear that S. 1883 will lead to some form of "piracy." Under the present system, a person learning of a company's intent to commence use of a mark could make a prior "token use." Under S. 1883, the application filed by such a person would clearly not be bona fide. To our knowledge this problem has not existed in the past, and there is no reason to believe it will arise under S. 1883.

3. We strongly believe that this problem must be solved by making the fact of filing immediately available. Given today's data storage and retrieval technology, there is no reason why the fact of filing of an application cannot be in the data base within 24 hours of filing.

4. We do not agree that most small businessmen lack trademark counsel when they start-up. Our members regularly represent such start-up businesses. Further, there is no reason to assume that small businesses are aware of all marks in use any more than they are aware of all marks which are registered or are the subject of pending applications. With respect to the need to search, see our response to Senator DeConcini's question 1.

5 - 6. See our response to Senator DeConcini's question 6.

7 - 9. The new language of Section 43(a) merely codifies the interpretation which Courts have given to tne existing section.

10. In Abercrombie & Fitch Co. v. Hunting World, Inc., 537 F.2d 4, 189 USPQ 759 (2d Cir. 1976), the Court held that the term "Safari" was arbitrary with respect to some of the goods for which it had been registered,m suggestive and descriptive with respect to others and generic with respect to still others. The Court ordered cancellation only of those parts of registration of the mark covering goods as to which "Safari" was generic. The continued validity of registrations of "Safari" for other goods would have no effect on the ability of competitors to use the term generically.

Senator DECONCINI. Thank you, Mr. DeGrandi.

Let me ask all of you a question. We have had an enormous number of businesses and associations support this legislation. I am sure USTA has had a lot to do with it along with some of the other associations. Do you think there is opposition to this legislation?

Mr. DeGrandi, can you think of anyone who would oppose this?

Mr. DEGRANDI. I can't think of any opposition. In fact, when this bill was discussed by our AIPLA Trademark Committee, it was approved by a unanimous vote, and the same thing by our board of directors; it was a unanimous vote.

Senator DECONCINI. Mr. Uilkema, is there anybody in the bar association who has qualms about this even if they're philosophical in nature?

Mr. UILKEMA. I haven't heard any qualms. I've heard some concerns such as Mr. Grow's about whether the Patent Office could get the information——

Senator DECONCINI. Handle it?

Mr. UILKEMA [continuing]. Known quickly enough. But, other than that kind of mechanical thing, I have heard none.

Senator DECONCINI. Along that line, with regards to the bar, there is one question I do want to ask. Does your committee look at the constitutionality of these types of things?

Mr. UILKEMA. Yes, we do.

Senator DECONCINI. Have you reviewed this on that basis yet?

Mr. UILKEMA. We have to a limited degree. As I mentioned earlier, Mr. Sacoff is our committee chair in charge of this particular review project. I'd like to invite him to comment on that.

Senator DECONCINI. Yes, sir. Will you be doing that more extensively than you have?

Mr. SACOFF. Senator, we will be making a specific resolution for debate upon the floor of the annual meeting this summer addressing S. 1883 in its totality. I think that the main constitutional question that is likely to arise in connection with intent-to-use legislation is one which has implicitly been resolved already in the association's existing position favoring intent to use in principle; namely, that a trademark registration process embodied in a Federal statute can constitutionally be based upon the commerce clause, while deferring the requirement of use beyond the time when the application is first filed.

Senator DECONCINI. If you have an opinion on the constitutionality of this legislation, we would appreciate having that for the record. We would appreciate, whenever you get to it, but the sooner the better.

Mr. Pattishall, who's likely to oppose this legislation?

Mr. PATTISHALL. I have been thinking and I cannot think of any American group. Of course, there will be some individuals, but I cannot think of any American group, business or otherwise, likely to do anything other than either ignore it or endorse it.

Senator DECONCINI. How about you, Mr. Grow? Can you think of anybody?

Mr. GROW. No, Mr. Chairman, I can't think of any specific group. I think this is one of those rare bills which serves both the interest of the business community and individual consumers. Lawyers will always disagree about particular language that should be used, but on the whole I think this is a bill which will benefit the country as a whole.

Senator DECONCINI. Mr. Grow, you went into some detail on the dilution, antidilution part of it. I take it from your statement—please correct me—that you think we should make it broader; it should be more extensive; is that correct? Is that fair?

Mr. GROW. That's correct. I really do think it could be broadened.

Senator DECONCINI. And there's no question that you think we need a Federal antidilution statute and not rely on the States?

Mr. GROW. I think there's a need for this reason: it could be argued by some that the infringement and 43(a) provisions in the Lanham Act now, if interpreted correctly by courts and juries, should accomplish what a dilution statute does, but because both of those causes of action are based on a finding of likelihood of confusion, and because that's such a highly subjective determination, there have been a number of instances where these causes of action have not been sufficient to protect valid, protectable interests in trademarks against dilution. So I do think it's necessary.

Senator DECONCINI. Mr. Pattishall, on the same question, this is kind of a new concept, I guess, of dilution; maybe it's not. This is the first time I've come across a Federal antidilution statute. I understand you've been an advocate of this for some time. Maybe you can give us some thoughts as to why such legislation has not been pushed before. Is there really a demand for it, a need for it, today, and was that need not there 10 years or 20 years ago or when the Lanham Act was enacted?

Mr. PATTISHALL. Well, I'll start with the last part of your question, sir. I think there has long been a need for it. I think there was a need for it back in 1927 when Frank Schecter wrote his article, but the need has increased in proportion to the development of communications, the use of media, the entire commercial development of the United States.

These values that were considerable residing in trademarks back in 1927 are just huge now, and they have been unprotectable because this is a different area of the law. The dilution law sounds in trespass where the confusion trade identity law sounds in deceit. They are simply different kinds of torts. That has been a problem really. The judicial mind, legal mind is accustomed to the trade identity concept as being the basis for protection of trademarks. It is not accustomed to the dilution concept, but it is becoming more so. In fact, it is rapidly becoming more so.

In the last decade there has been much broader comprehension and employment, and correct and effective employment, of the 23 State antidilution statutes. With the benefit of a Federal statute, I think the concept will come into full flower and comprehension, all to the benefit of American business, large and small.

Senator DECONCINI. Thank you.

Mr. DeGrandi, at your mid-winter meeting in Scottsdale there was a great deal of discussion, I understand, regarding the term "bona fide" in conjunction with intent to use of the provisions in the bill. What do you believe is the difference between the intent and the bona fide intent? Is it a necessary term in the statute?

Mr. DEGRANDI. I'd like to have Mr. Robin answer that question for you, Senator.

Senator DECONCINI. Sure. Mr. Robin?

Mr. ROBIN. Senator, the discussions which took place related to the question of whether or not a party could have a bona fide intent to use a mark on—more than one mark on a single product. As is often the case, in a new product development a company may have two marks or three marks they propose for a product depending upon the result of market testing or searching.

So the discussion in bona fide was to make sure that word "bona fide" would not prevent a businessman from doing under the new statute what he now does under the present statute. It wasn't that people thought that bona fide was an improper term. I think everyone agreed it was a healthy term because we wanted to make sure that the intent was something more than whim or caprice, and the word "bona fide" or good-faith intent, if you will, was appropriate. But the concerns that were expressed and the debate which we had dealt with the question of the contingent intent which I think was discussed in the AIPLA statement.

Senator DECONCINI. Thank you.

Mr. DeGrandi, would you forecast any significant increase in the number of applications that will be filed if this became law? Second, do you think that the Patent and Trademark Office is capable of handling whatever that increase may be?

Mr. DEGRANDI. We believe at least at the outset there will be an increase in the applications filed in the Patent and Trademark Office. This may level off later on, but the idea is to have more and more members of the public take advantage of the registration system of the Patent and Trademark Office.

As far as the office being able to handle the additional applications, I believe that it can do so, including these intent to use——

Senator DECONCINI. Without additional personnel, in your judgment?

Mr. DEGRANDI. They will probably have to hire additional personnel.

Senator DECONCINI. Does anyone else have any comments regarding the Trademark Office being able to do this? Is this going to create another burden on them?

Mr. PATTISHALL. Senator, to make one comment, I think that we may have more applications but fewer subsisting registrations. What Mr. DeGrandi was talking about I think is important. There are too many registrations now on the register of marks which are not in use which act as an impediment to business in finding new marks. Certainly if we would have more applications but fewer registrations, then everyone would benefit.

The Office, as you know, Senator, operates at a surplus now. While there would be some additional staffing requirements, the public benefit would far outweigh that cost.

Senator **DeConcini**. Does anybody else have a comment on the burden we're placing on the Trademark Office? Mr. Grow, do you? If not, fine.

Mr. **Grow**. I don't think that giving people the right to file on an intent-to-use basis is going to dramatically increase the number of filings. As Mr. Robin or Mr. DeGrandi said, there may be an initial burst of filings simply because people who would otherwise wait until they could use the mark will now file sooner, but over a period of time I think as small business people become aware of the advantages they can derive from this, there may be a gradual increase, and we would hope that we would come to a point in time when many more businesses in the country would take the opportunity to make their claim of rights of record.

Senator **DeConcini**. Anybody else? Mr. Pattishall? Mr. Uilkema?

Mr. **Pattishall**. Senator, there's one thing that I don't believe has been mentioned. It bears on the intent to use. We are now the only country in the world that has this rigid adherence to the use rationale for anything respecting trademarks. I think it's long overdue that we accommodate to what everybody else in the world believes is the right way to go at it.

Senator **DeConcini**. Thank you.

Gentlemen, thank you very much. We appreciate your testimony.

The record will remain open for 2 weeks for anybody who wants to supplement their testimony. We will submit a few questions that you might help us on.

I want to thank the USTA for their exhibit here today. They have brought before us some very unique items.

The committee will stand in recess subject to call of the chairman.

[Whereupon, at 11:26 a.m., the subcommittee recessed to reconvene at the call of the Chair.]

APPENDIX

ADDITIONAL SUBMISSIONS FOR THE RECORD

The Honorable Dennis DeConcini
Chairman
Senate Subcommittee on Patents, Copyrights, and Trademarks
Room SH-327
Hart Senate Office Building
Washington, D.C. 20510

March 11, 1988

Re: Trademark Law Revision Act
S.1883 (DeConcini)

Dear Senator DeConcini,

On behalf of Apple Computer, Inc., I would like to take this opportunity to commend the Senate Subcommittee on Patents, Copyrights and Trademarks on its efforts to revise and amend the Trademark Act of 1946, the Lanham Act, through the proposed Trademark Law Revision Act, S.1883.

Apple Computer, Inc. is the well-known manufacturer of personal computer systems and peripheral computer equipment sold throughout the United States and in foreign countries. Our principal products include the Apple II and Macintosh computer systems, which are sold worldwide to the consumer, business, government, education and science markets. Apple is a Fortune 150 company, with annual sales of over 3 billion dollars, and close to 10,000 employees.

Although the most famous of the Apple trademarks are APPLE, the APPLE LOGO, MAC and MACINTOSH, Apple presently sells its products under close to 100 different trademarks.

Apple has always been aggressive in the protection of its intellectual property rights, which are the mainstay of its business, and has been influential and instrumental in effecting constructive changes in the copyright laws in the United States to reflect current business realities and future technological innovations. It is Apple's belief that the proposed Trademark Law Revision Act will similarly offer constructive, and much needed, changes to enable Apple--and other American corporations--to better protect and enforce its valuable trademark rights.

The proposed bill modernizes the 1946 Trademark Act by offering substantive revisions and amendments designed to reflect current commercial practices and to conform to the vast body of judicial interpretation generated over the past 42 years, and by clarifying and removing inconsistencies within the remaining provisions.

S. 1883 creates commercially sound procedures for establishing trademark rights without altering the fundamental principles of United States trademark law, and by reducing the disparity between the rights of American and foreign nationals in obtaining trademark registrations in this country.

Apple Computer, Inc. supports S. 1883 and encourages its enactment because the proposed legislation is a realistic reflection of current commercial realities and will be highly beneficial to American business by:

- Encouraging greater use of the trademark registration system by the expanded scope of the protection offered under the proposed Act
- Reducing the uncertainty of an applicant's ability to register its trademark prior to its actual use
- Increasing the parity between American and foreign applicants and bringing the United States trademark laws into greater conformity with foreign trademark laws
- Improving the efficiency and integrity of the federal trademark registration system by the elimination from the register of marks no longer in use, and making the requirements for maintaining a registration that much stricter
- Promoting fair competition and discouraging unfair competition through the expansion of the scope of protection under Section 43 (a) and the inclusion of the federal dilution statute.

Please do not hesitate to contact me if Apple Computer, Inc. can be of any further assistance in supporting and encouraging the enactment of the proposed Trademark Law Revision Act.

Very truly yours,

Delbert W. Yocam

Delbert W. Yocam
Executive Vice President and
Chief Operating Officer

MEMORANDUM
3/10/88

To: Del Yocam
Executive Vice President /Chief Operating Officer

From: Jill Sarnoff
Trademark Counsel

Re: Trademark Law Revision Act
S.1883 (DeConcini)

I would like to recommend that Apple lend its support to the Senate Subcommittee on Patents, Copyrights and Trademarks in its efforts to revise and amend the Trademark Act of 1946, the Lanham Act, through the proposed Trademark Law Revision Act, S.1883.

Apple has always been aggressive in the protection of its intellectual property rights, which are the mainstay of its business, and has been influential and instrumental in effecting constructive changes in the copyright laws in the United States to reflect current business realities and future technological innovations. Having reviewed the proposed legislation in detail, it is my belief that the Trademark Law Revision Act will similarly offer constructive, and much needed, changes to enable Apple--and other American corporations--to better protect and enforce its valuable trademark rights.

The proposed bill modernizes the 1946 Trademark Act by offering substantive revisions and amendments designed to reflect current commercial practices and to conform to the vast body of judicial interpretation generated over the past 42 years, and by clarifying and removing inconsistencies within the remaining provisions.

S. 1883 creates commercially sound procedures for establishing trademark rights without altering the fundamental principles of United States trademark law, and by reducing the disparity between the rights of American and foreign nationals in obtaining trademark registrations in this country.

Apple should be particularly supportive of the following provisions in S. 1883:

INTENT TO USE:

The "intent to use" provision will allow American companies to file applications to register a trademark based on a bona fide intention to use the mark. The application will be examined for descriptiveness or "confusing similarity" objections and, if not denied on those grounds, will be published for purposes of opposition. If the application is not opposed, the registration will issue upon submission of proof of commercial use of the mark by the applicant, who effectively has 36 months from the notice of allowance to file such proof. Additionally, the filing date of the application constitutes "constructive use" of the trademark, giving the applicant priority over subsequent applicants or users, which can be enforced upon registration of the trademark.

Under the current trademark laws, an American national may only file an application to register a trademark after the mark has been used in commerce; foreign applicants who base their applications on "home" applications or registrations, are not required to use the mark at all prior to its registration. This disparity creates an unfair burden on the American applicant, which is addressed by the addition of the proposed "intent to use" application procedure.

The advantages of this new provision are primarily that in the event the application is denied or successfully opposed, the applicant will be able to adopt a new trademark prior to the introduction of the product, without having to invest substantial resources to repackage a product already in use in commerce. Additionally, it enables an American applicant to "reserve" a mark it intends to use in the near future, a practice presently enjoyed only by foreign applicants, and to benefit from the "constructive use" priority date upon registration, thus substantially reducing the risk of piracy or trademark theft by third parties.

FEDERAL DILUTION CAUSE OF ACTION:

The proposed bill creates a new federal cause of action for dilution of distinctive and famous marks, allowing owners of federally registered trademarks to prevent others from unfairly trading on the goodwill and notoriety of truly distinctive marks, even if likelihood of confusion would not otherwise exist because the parties are engaged in distinctly separate businesses.

Federal legislation in the area of dilution protection is long overdue. In states where dilution laws have been adopted, courts have been reluctant to award injunctive relief solely on dilution grounds, absent a showing of "likely confusion." Unauthorized uses, even if not confusing, nevertheless may harm the trademark owner by lessening the distinctiveness and thus the commercial value of the mark. The additional burden of proving likely confusion has recently been rejected by the the United States Supreme Court. (San Francisco Arts & Athletic, Inc. v. United States Olympic Committee, 55 U.S.L.W. 5061 (1987). The lack of state protection from dilution, coupled with recent guidance from the Supreme Court, presents an opportune time for Congress to strengthen the protection that should be afforded owners of famous marks.

Limiting dilution protection to those marks which are "famous" and registered operates to protect those trademarks which are most likely to be harmed by reduced distinctiveness. Famous marks are enormously valuable but fragile assets, susceptible to irreversible injury from promiscuous use.

This provision will help deter, if not eliminate, the wrongful adoption and use by third parties for merchandising products, such as clothing and coffee mugs, of truly famous marks, such as the Apple Logo, used by the registrant for completely unrelated goods such as computers.

INCREASED UNFAIR COMPETITION PROTECTION:

S. 1883 substantially expands the scope of Section 43 (a) of the Lanham Act, the federal unfair competition statute. The proposed bill codifies existing case law by statutorily affording the protection and remedies available to registered trademarks under the present Act to actions involving common law or unregistered trademarks. S.1883 also extends the protection of the Act to false advertising claims made about another's goods or services, whereas present law only allows for a cause of action relating to false advertising claims made about one's own goods or services, and specifically protects trademarks from "injurious acts" which disparage and tarnish their reputations.

The proposed new Section 43 (a) recognizes the need for statutory protection for unregistered trademarks, and reflects the changing business practices over the past 40 years by affording statutory rights and remedies in situations where a trademark is not necessarily "infringed" but is otherwise harmed through the wrongful commercial acts of others.

ELIMINATION OF "DEADWOOD":

The new Act reduces the statutory registration and renewal periods from 20 years to 10 years and increases the stringency of the use requirements to actual commercial use, rather than allowing for "token use" shipments to create and maintain trademark rights.

The tightening of the use and registration procedures will result in the elimination from the register of marks which are no longer in use or which are used sporadically as a reservation means. Accordingly, there should be a significant decrease in the number of cancellation actions brought by applicants whose marks are refused registration on the basis of a prior registered trademark that is no longer in use but which has not been removed from the register through voluntary cancellation proceedings.

Apple Computer, Inc. should support S. 1883 and encourage its enactment because the proposed legislation is a realistic reflection of current commercial realities and will be highly beneficial to American business by:

- Encouraging greater use of the trademark registration system by the expanded scope of the protection offered under the proposed Act
- Reducing the uncertainty of an applicant's ability to register its trademark prior to its actual use
- Increasing the parity between American and foreign applicants and bringing the United States trademark laws into greater conformity with foreign trademark laws
- Improving the efficiency and integrity of the federal trademark registration system by the elimination from the register of marks no longer in use, and making the requirements for maintaining a registration that much stricter
- Promoting fair competition and discouraging unfair competition through the expansion of the scope of protection under Section 43 (a) and the inclusion of the federal dilution statute.

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Isaac Fleischmann
Falls Church, VA

March 29, 1988

The Honorable Dennis DeConcini
Chairman
Judiciary Subcommittee on Patents,
Copyrights and Trademarks
U.S. Senate
Washington, DC 20510

Dear Senator DeConcini:

I am writing on behalf of Intellectual Property Owners, Inc. (IPO) to express support for S. 1883, your bill to amend federal trademark law.

IPO is a nonprofit association whose members own trademarks, patents and copyrights. Our members include large companies, small businesses, universities and independent inventors.

We believe enactment of S. 1883 would significantly improve the federal trademark system. The legislation would strengthen protection for investments made by the owners of trademarks. It would also help protect consumers against confusion and deception in the marketplace.

Listed below are five topics that we believe are among the most important features covered by S. 1883.

(1) Intent-to-Use Applications

We favor the provisions in S. 1883 that would permit the filing of applications to register marks on the principal register on the basis of an intention to use the mark in commerce. The intent-to-use procedure of S. 1883 would make it easier for businesses large and small to clear new marks. The federal register of marks would become a more reliable indicator of which marks are in actual use or likely to be used. This would encourage greater use of the federal registration system.

(2) Remedy Against Dilution of Marks

The amendment proposed by S. 1883 to add a new Section 43(c) to the Lanham Act, creating a federal cause of action for dilution of registered marks, would help protect investments by trademark owners in advertising and good will. A federal dilution statute would augment the laws already enacted in 23 states to protect against dilution. We agree that a trademark owner should be able to prevent others from diluting the distinctive quality of a mark whether or not the others are competitors and whether or not a likelihood of confusion exists arising from use by others.

(3) Federal Unfair Competition Law

We support the proposal to amend Section 43(a) of the Lanham Act to make it conform to the expanded scope of protection courts have given it, and to make additional changes. An effective statute on unfair competition complements the provisions in the Lanham Act protecting registered marks. An amended Section 43(a) should assist the courts in dealing with unfair competition claims.

(4) Elimination of Deadwood From the Register

We favor legislation to remove from the Patent and Trademark Office's register of marks as many as practical of the abandoned or inactive marks, sometimes referred to as "deadwood". Surveys have shown that the amount of deadwood on the register is quite high. Deadwood impairs the effectiveness of the registration system, because the Office's register of marks is supposed to be the place members of the public can go to investigate what marks are available.

(5) Security Interests in Marks

We favor legislation to clarify the nature of a security interest in a mark and the mechanics for recording and enforcing such an interest. We note that some observers have said similar legislation is also needed to deal with security interests in patents.

***

In addition to the topics listed above, S. 1883 contains a number of other significant proposals for improving the Lanham Act. We hope Congress will take advantage of this opportunity to adopt all of the proposals for amendment, codification, clarification or definition for which general support exists in industry and the bar.

Please include this letter in the record of the hearing held by the Subcommittee on March 15, 1988. We will be glad to provide any additional information that would be useful.

Sincerely,

Donald W. Banner

Donald W. Banner
President

cc: Hon. Edward M. Kennedy
Hon. Patrick J. Leahy
Hon. Howell T. Heflin
Hon. Orrin G. Hatch
Hon. Alan K. Simpson
Hon. Charles E. Grassley

NAM
National Association
of Manufacturers

JERRY J. JASINOWSKI
*Executive Vice President
& Chief Economist*

March 17, 1988

The Honorable Dennis DeConcini
Chairman, Subcommittee on Patents,
  Copyrights and Trademarks
Committee on the Judiciary
United States Senate
Washington, DC 20510

Dear Chairman DeConcini:

In submitting these comments, the National Association of Manufacturers would like to offer its strong support for your bill S. 1883, The Trademark Law Revision Act of 1987.

The U.S. trademark system serves a vital function in protecting the interests and economic well-being of American business and industry. A more reasonable registration procedure and a cleaner trademark register would make it easier for businesses, small businesses in particular, to bring products to market. A well-run trademark system enables U.S. manufacturers to protect their investments in product research, advertising, marketing and subsequent goodwill. A system that affords adequate trademark protection enhances the competitiveness of American business by preventing product counterfeiting or deception and the resulting loss of profits or market share.

An effective trademark system also greatly benefits the consuming public. Trademarks establish a product's identity in terms of both value and quality and these factors--even more than price--are often the most important determinants in the decision to purchase a product. An essential element of the trademark system is to protect the public from the confusion, deception and even danger that arise from the counterfeiting or copying of marks. The revisions proposed by S. 1883 enhance the U.S. trademark system in these areas.

The Trademark Law Revision Act of 1987 is a long-awaited update of U.S. trademark law and we urge you and your colleagues to proceed expeditiously with this important legislation.

We would appreciate your placing our comments in the record of the hearing that your subcommittee held on March 15, 1988.

Sincerely,

Jerry J. Jasinowski

1331 Pennsylvania Avenue, NW
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MANUFACTURING
CREATES
AMERICA'S
STRENGTH

STATEMENT

ON

S. 1883
THE TRADEMARK LAW REVISION ACT OF 1987

BY THE
NATIONAL ASSOCIATION OF MANUFACTURERS

TO THE
SUBCOMMITTEE ON PATENTS, COPYRIGHTS AND TRADEMARKS
OF THE COMMITTEE ON THE JUDICIARY
UNITED STATES SENATE

MARCH 15, 1988

National Association of Manufacturers
1331 Pennsylvania Avenue, NW, Suite 1500 — North Lobby
Washington, DC 20004-1703 (202) 637-3000

The National Association of Manufacturers is a voluntary business association of more than 13,500 corporations, large and small, located in every state. Members range in size from the very large to the more than 9,000 smaller manufacturing firms, each with fewer than 500 employees. NAM member companies employ 85 percent of all workers in manufacturing and produce more than 80 percent of the nation's manufactured goods. NAM is affiliated with an additional 158,000 businesses through its Associations Council and the National Industrial Council.

STATEMENT

ON

S. 1883
TRADEMARK LAW REVISION ACT OF 1987

BY THE
NATIONAL ASSOCIATION OF MANUFACTURERS

TO THE
SUBCOMMITTEE ON PATENTS, COPYRIGHTS AND TRADEMARKS
OF THE COMMITTEE ON THE JUDICIARY
UNITED STATES SENATE

MARCH 15, 1988

The National Association of Manufacturers is pleased to present the following comments in support of legislation designed to improve the trademark protection system in this country. We do so because of our belief in the fundamental premise of the free, competitive, private enterprise system: that adherence to free market principles will ensure that the public will obtain the maximum benefit from our economic system. To this end, we support national policies that:

(1) allow the marketing process to provide the best possible means for efficient and useful allocation of the nation's resources;

(2) recognize the value of reasonable advertising to a vigorous economy;

(3) provide consumers with the freedom to choose on the basis of a variety of product values, both price and non-price; and

(4) encourage the protection of intellectual property by foreign and domestic individuals, corporations and others.

The American trademark system serves a critically important function in supporting these goals and in protecting the interests of the consuming public. Its purpose is to protect the public from confusion and deception that flows from the copying of marks that identify the origin of products or services. Concomitantly, it protects substantial business investments in product research, advertising, marketing, name recognition and goodwill. The trademark system also prevents counterfeiting or deception and the resulting loss of profits or market share.

The provision allowing six months between the issuance of a notice of allowance and the date on which the mark is actually used is reasonable, as long as the seven additional extension periods remain in the bill. While the legislation does not allow an applicant to bring an action against anyone who uses a mark that infringes on the mark until the actual use and final registration of the mark, the proposed new principle of constructive use in Section 9 does allow the applicant to seek damages after registration for an infringing use for the period of time between the intent-to-use filing and actual registration of the mark. This provision properly discourages other companies from capitalizing on the marks intended to be used, but not yet actually used, by applicants.

Eliminating the Token Use Concept. Because intent-to-use applications will no longer require an applicant to have actually used the mark in interstate commerce, even in a token way, prior to filing, section 31(8) of the bill amends the definition of "use in commerce" in Section 45 (15 U.S.C. Sec. 1127) of the Trademark Act of 1946. The new definition requires not just that the mark be used on goods or services, but that it be used "in the ordinary course of trade, commensurate with the circumstances, and not made merely to reserve a right in a mark." This is a tougher standard to satisfy, and questions may be raised as to the adequacy of use, requiring that an applicant or trademark owner show that the extent to which the mark was used was "commensurate with the circumstances."

Token use is perceived to be a problem primarily because of the current requirement that a mark be used in commerce before an application can be filed. If the intent-to-use proposal in this legislation is adopted, token use will no longer be necessary as a prerequisite to filing and registration will be effected after use of the mark on actual goods or in connection with actual services. Trademark owners that thus qualify for registration of a mark should be able to maintain their substantial property interest in a legitimate trademark by using the mark on a much-reduced scale, as long as it continues to be used on goods or services. This is important because, once a mark is registered to one company alone, it carries with it considerable goodwill and investment value.

The NAM understands the definition of "use in commerce" to mean, and we hope the legislative history will reflect, that small shipments of goods or limited provision of certain services will be deemed adequate use for the purpose of maintaining the validity of certain existing trademarks. For example, if a product, after ten years of marketing, does not sell as well as it used to, either because of changing marketing priorities, consumer tastes, competition, or some other factor, the fact that it is selling at a very slow pace should not affect the validity of the mark. Similarly, the trademarks of products whose sales ebb and flow in cycles, such as consumer fads, should not be adversely affected by the definition of "use in commerce" under this proposal.

Eliminating marks that are truly no longer used is an important legislative goal, but administrative or judicial scrutiny of the adequacy or substantiality of a company's advertising or marketing efforts must be circumspect and prudent. In order for a mark to lose its validity, the evidence that its use is "token," or undertaken "merely to reserve a right in a mark," must be clear and substantial.

Eliminating Unused Marks from the Register. The NAM supports the objective of eliminating "deadwood" from the register so that a larger pool of marks is available for companies to use. Reducing the term from twenty years to ten years would make marks that have not been used become available for use up to ten years earlier than under current law, and would also allow the use of marks that are similar but not identical. This will, however, probably result in a slight increase in applicant and trademark office costs because of the increased number of renewal applications during a twenty-year period.

While an exhortation that the trademark office renewal fee be reduced is helpful, it is not mandatory and may not be implemented if the trademark office does not agreee. For this reason, it is important that the renewal process be as streamilined and efficient as possible, to reduce the amount of trademark office staff time needed to administer it. Congress may also want to consider codifying at least this portion of the fee structure to assure compliance with its intent.

Remedies, Dilution, Security Interests and Other Matters. The Trademark Review Commission of the United States Trademark Association, on which several NAM members serve, has recommended a number of other changes in current law as well. We agree that these changes represent a useful codification of existing judicial interpretations and clarification of the rights and remedies available to trademark owners. We strongly support these changes, including those strengthening the remedies in section 43(a) of the Act regarding false, misleading or confusing descriptions or designations of origin. We also strongly endorse the antidilution provisions added to section 43(b) of the Act with regard to famous marks.

Conclusion. We appreciate this opportunity to submit our views to the Subcommittee on this significant revision of trademark law. We urge you to proceed expeditiously with approval of the legislative package, so that this relatively straightforward legislation can be concluded and incorporated into law. We hope this long-awaited pruning and reshaping of the trademark laws will bear fruit in the years ahead by making the Patent and Trademark Office, and trademark enforcement generally, a model of efficiency, effectiveness and fairness. The goodwill, investment and competitive capabilities of American manufacturing will all benefit from this effort, and the consuming public will continue to rely on trademarks as symbols of the quality of the companies and people behind them.

S. 1883
THE TRADEMARK LAW REVISION ACT

STATEMENT
OF
THE NATIONAL ASSOCIATION OF REALTORS®

Subcommittee on Patents, Copyrights and Trademarks
Committee on the Judiciary
United States Senate
March 15, 1988

Mr. Chairman, the NATIONAL ASSOCIATION OF REALTORS® welcomes the opportunity to submit its views in support of S. 1883, the Trademark Law Revision Act of 1987. The REALTORS® appreciate your leadership in introducing this legislation which would provide long overdue reforms in our country's trademark law.

The NATIONAL ASSOCIATION OF REALTORS® is a professional association of over 800,000 men and women engaged in all fields of the real estate business, including brokerage, appraisal, management, counseling, and syndication. NAR has also established nine affiliated organizations comprised of persons engaged in various real estate specialities, in order to afford those persons an opportunity for greater cooperation and professional development within those specialties.

NAR was formed to promote and encourage the highest and best use of the land, to protect and promote private property ownership and to promote professional competence. In pursuit of these objectives, the National Association and its affiliates (hereinafter collectively "NAR") conducts activities and programs in a wide range of areas, including real estate education, arbitration of member and public controversies, equal housing opportunity, real estate licensing, neighborhood revitalization, legislation relating to the real estate industry, and legal compliance.

In conjunction with many of its activities NAR has developed, owns and uses a variety of trade and service marks to identify NAR as the source of those services. NAR has also developed and controls use of a number of collective marks which are used by the members to indicate their membership in NAR or in one of NAR's affiliates. Because members of NAR are required, as a condition of membership, to agree to conform their professional practices to

NAR's strict Code of Ethics, these membership marks serve the highly beneficial function of identifying real estate professionals who have made a commitment to ethical business conduct, and to distinguish them from those who have not. Similarly, the collective marks of NAR's affiliates serve to identify the members of those organizations as persons with a special professional commitment to a specific area of the real estate business.

NAR also offers its members a variety of opportunities to earn professional designations, obtained by satisfaction of a prescribed set of educational or experiential requirements. Such designations, while commonly offered, used and recognized in the real estate industry, often do not qualify for Federal trademark registration. These designations nevertheless are well-recognized as indicative of noteworthy professional achievement, and it is essential that they be used only by those having satisfied the requisite criteria.

As a result of the foregoing, both the Federal system of trademark registration and the ability to preserve and protect the distinctive meaning and integrity of its marks are of great importance to NAR. NAR endorses adoption of the Trademark Law Revision Act of 1987 since the Act markedly improves the system of Federal trademark protection, NAR also wishes to highlight several provisions of the Act which are particularly beneficial to the interests of all trademark owners, as well as those of NAR.

Section 28

First, while we recognize that Section 28 of the bill essentially codifies existing judicial interpretation of Section 43(a) of the current Trademark Act rather than significantly altering current law, we believe such codification achieves a desirable and useful result. Section 28 expressly statutorily proscribes certain practices, rather than leaving that prohibition to case decisions relying on the more general language of Section 43(a). Owners of unregistered marks or other words, terms, names, and symbols to identify their goods or services are therefore better able to compel those using those marks and symbols and violating their rights to cease. Moreover, since under Section 28 the actions prohibited are explicitly described, thereby more clearly distinguishing between that conduct which is and is not permitted, violation of the rights of owners of marks or other distinguishing symbols is likely to be diminished. To the extent that confusion or deception as to the source of particular goods or services is eliminated, of course, consumers are the beneficiaries.

In addition, Section 43(a) of current law is often the principal or only source of protection for unregistrable "marks" from use or infringement by persons not authorized to use the marks. This protection is particularly significant to organizations such as NAR which offer professional designations, since these designations are generally not entitled to Federal registration. Thus, Section 28 is beneficial since it provides a clear statutory basis to challenge the actions of one using such an unregistrable designation without proper authorization.

For example, NAR offers, through its constituent state organizations, a basic real estate educational program known as the "REALTOR® Institute." Upon completion of the specified requirements, an individual receives the right to use the designation "G.R.I." (Graduate, REALTOR® Institute) after his or her name, and such use is quite common and popular among those who have completed the program. Use of that designation by a person who has not completed the educational program is, of course, likely to cause confusion, mistake or deception but is precisely the manner prohibited by Section 28(a)(1)(A) and (B). When a consumer selects a real estate agent on the basis of the agent's use of G.R.I., however, where the agent is not in fact authorized to use that mark, the consumer receives services from one who does not have the training he purports to have.

Section 29

NAR also endorses adoption of Section 29 prohibiting dilution of the distinctive quality of famous trademarks. This provision strongly bolsters the ability of owners of famous trademarks to safeguard and defend those marks, and from having their unique character diminished even though it may be difficult or impossible to demonstrate that confusion is occurring or is likely to occur. The additional protection afforded by proposed Section 29 is necessary and warranted to prevent others from unfairly trading upon the goodwill and renoun of famous marks and those who produce the products and services upon which they are used. The distinctive significance of a famous mark can be gradually but effectively eroded by use of others in unrelated products and services.

The antidilution provision of Section 29 will also prove particularly helpful to owners of famous collective marks, such as NAR. These marks are used by persons associated with and authorized by the owner of the mark, rather than being reserved for use exclusively by the owner himself. While others may and often do offer products bearing such marks for sale to authorized persons, neither the sale of such products nor the use by persons authorized to use the marks generally creates confusion or a likelihood thereof. The purchasers of the products will probably not believe they are produced by the mark owner, and when the mark is displayed by the purchaser, whose use of the mark is in fact authorized, such use correctly designates that person as associated with the mark owner.

NAR believes that producers and sellers of such products infringe the collective mark under current law. Section 29 of the Act, however, clearly identifies such activity as prohibited and provides an explicit basis for the mark owner to compel such activity to stop. This is wholly desirable and appropriate since that activity results in use and exploit of the mark for commercial gain by a person other than the one who has invested in the development, promotion and understanding of the mark, and who has established its distinctive character and recognized significance.

Section 1

The final provision of the bill which NAR finds to be especially beneficial is that which permits registration based upon a bona fide "intent to use" a mark, rather than solely on actual use of a mark in commerce.

The real estate industry is one which is constantly evolving and changing, with the result that NAR is continuously developing new products and services to fulfill the needs and desires of real estate professionals. It is important, of course, that members and others desiring such products and services be able to distinguish those offered by NAR from those of others. Thus, NAR needs the facility to create new marks, to confirm that such new marks do not interfere with the rights of others, and to establish and preserve the right to use such new marks. The "intent to use" registration provisions, principally embodied in Section 1 of the bill, greatly enhance NAR's ability to do so. As intended by the bill's drafters, those provisions allow one to select a mark and stake out the exclusive right to use it even before the product or service in which it is to be used is ready for sale. At the same time, these provisions provide a significant incentive to use the Federal registration system, which therefore improves the reliability of the Trademark Register as indicative of the availability of the particular mark. One may therefore establish rights in a mark at an earlier point in time, and do so with a greater measure of confidence that another is not claiming ownership of a conflicting mark. The products and services developed by NAR and bearing newly created marks will thus be more readily and reliably recognized as produced by NAR, thereby benefiting both NAR and the consumers of such products and services.

Other Provisions

The bill also includes amending language which modernizes, clarifies and eliminates inconsistencies in the language of the current Trademark Act, and, which NAR finds beneficial as well.

Mr. Chairman, for all the reasons aforementioned, the NATIONAL ASSOCIATION OF REALTORS® is pleased to lend its support to S. 1883 and strongly encourages its adoption.

NFIB

National Federation of
Independent Business

April 1, 1988

Honorable Dennis DeConcini
United States Senate
Washington, D.C. 20510

Dear Senator DeConcini:

NFIB is pleased to submit the enclosed statement in support of S. 1883, the Trademark Law Revision Act of 1987. We believe that small business is uniquely positioned to benefit from this legislation. In their ability to react more quickly to changing market needs, smaller firms hold a distinct advantage over larger, more bureaucratic businesses. S. 1883 effectively streamlines the process and alleviates costly business risks that firms must take under the current system -- risks which most small businesses cannot afford to take.

There are three provisions with which NFIB is most concerned. First, we are pleased to see the institution of a dual application system, allowing businesses to choose between a use-based application or an intent-to-use application. In addition to making the registration process less risky and complicated, this also brings the U.S. into conformity with the rest of the world. Modifications contained in S. 1883 also effectively eliminated the advantage foreign nationals currently have in the application process.

Second, protections afforded to trademark owners from dilution are important to small businesses (since many of them do not intend to stay small.) Dilution of the distinctive quality of a mark is essentially a free-riding abuse of the exceptional renown of the mark, and can be extremely damaging to the commercial image of the business and its product or service.

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Third, we support the "cleaning up" of the federal trademark register. Currently it is cluttered with inactive or abandoned marks. Removing this "deadwood" would enlarge the available pool of marks and improve the general efficiency of the register.

In both scope and purpose, S. 1883 is a valuable revision of the Lanham Act governing Trademark Law. NFIB and its over half million members are encouraged by the efforts put forth by the Subcommittee in this regard, and look forward to expedient passage of S. 1883.

The Guardian of
Small Business

Sincerely,

John J. Motley III
Director
Federal Governmental Relations

NFIB

National Federation of
Independent Business

STATEMENT OF

THE NATIONAL FEDERATION OF INDEPENDENT BUSINESS

Submitted To: Subcommittee on Patents, Copyrights and Trademarks

Subject: S. 1883, The Trademark Law Revision Act

Date: April 1, 1988

On behalf of our more than half million members, NFIB submits this statement in support of S. 1883, The Trademark Law Revision Act. American businesses, both large and small, greatly appreciate the committee's efforts to clarify and modernize the forty-one year old Lanham Act. If enacted, S. 1883 will vastly improve the U.S. trademark registration system, further protect the interests of both consumers and trademark owners, and generally improve free and fair competition.

NFIB is an advocacy organization representing over 500,000 small and independent business owners nationwide. It is our belief that the small business community, while certainly not the only beneficiary of this legislation, is

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The Guardian of
Small Business

in a unique position to take advantage of a bill such as this which cuts down on the costly business risk a company must take under current trademark law. In the competitive business environment, the distinct advantage of a small business is its ability to react quickly, to fill a niche. This unique ability is one of the factors that distinguishes them from a larger business. As it stands, the current trademark system simply slows them down -- essentially, it impairs the small business edge.

According to a U.S.T.A. report, the Lanham Act and the trademark system itself are operating effectively. However, changed market realities and modernized business practices have necessitated an update of the statute. Specifically, the U.S. is one of only two countries (along with the Philippines) which still require use of a mark before filing a registration application. As a result foreign applicants have a distinct advantage over U.S. applicants in obtaining trademark registration rights since the Lanham Act under Section 44 requires that foreign applicants with a home country registration may register a mark in the U.S., even if they've never used the mark anywhere in the world.

Additionally, foreign applicants can obtain a filing priority in the U.S. corresponding to the date they file their home application. This essentially means that a foreign company can obtain a U.S. registration without ever using the mark anywhere; a U.S. applicant, however, must actually use its mark even before applying. Interestingly, fully seven percent of U.S. applications were filed by foreign nationals under section 44.

Along these same lines, the Lanham Act and its current pre-application use requirement create precarious legal situations for a business planning to introduce its product or service into the marketplace. So-called "token use", contrived to get around the pre-application usage requirement, is time consuming, expensive, and extremely risky for small and large businesses alike. Usually, a business goes through this process before it even knows whether the mark is available. It can be a costly and frustrating exercise in which a trademark owner often learns of conflicting marks only after going through the "token use" and filing processes.

Many of the risks embodied in the current system can be eliminated, or at least alleviated, by S. 1883. The bill creates a dual application system in which applicants have a choice: either apply to register a trademark on the basis of pre-application use in interstate commerce, *or* on the basis of a *bona fide* intention to use the mark in commerce. This choice represents a more equitable system of trademark registration, while still maintaining protections against abuse.

We would emphasize, at this point, the importance of balanced and uniform examination procedures for both use-based and intent-to-use applications. Consistency in examination is key to the equitable implementation of this provision.

With regard to actual registration, Section 13 (b)(2) establishes new procedures which provide for issuance of a "notice of allowance" by the Patent and Trademark Office to the applicant, if registration of the mark is not successfully opposed. Subsequently, the applicant, within six months of receiving the notice of allowance, must submit a "statement of use" to verify that the mark is in use in commerce. Upon proper receipt, the PTO registers the mark and issues a registration certificate. This section also allows for time extensions for filing the statement of use.

Another important aspect of S. 1883 is its concept of "constructive use". Under this provision, the filing of an application will constitute nationwide priority of use against all parties, except those who applied or used the mark previously. This constructive use concept is essential to an intent-to-use system, and will apply also to a use-based system.

S. 1883 also rectifies the current advantage held by foreign nationals in the trademark registration process. It would require that the foreign applicant filing on the basis of a home country registration or priority date to state a bona fide intention to use the marks they wish to register in the U.S.

Several unfair competition provisions are enhanced by S. 1883. The most important of these is protection from dilution. Protection of marks from dilution, as distinguished from infringement protection, does not depend on confusion, deception, or error. It does not rely on competition. Rather, it would apply if the use of a famous mark by someone other than its owner has the effect of diluting the public perception of that mark. Dilution of the distinctive quality of a mark is, essentially, a free-riding abuse of the exceptional renown of the mark. A total of 23 states have adopted dilution protection laws; S. 1883 represents the first effort to address this problem nationally. Many of our small businesses do not intend to remain "small" throughout their commercial lives -- they deserve, as do existing famous trademarks, the protection that would be granted by S. 1883.

Lastly, we would like to address the measures in S. 1883 designed to improve the reliability of the trademark register. The federal register currently has a problem with "deadwood" -- the large volume of inactive or abandoned trademarks. Eliminating this "deadwood" effectively enlarges the pool of available marks and will improve the general efficiency of the register.

Mr. Chairman, this concludes NFIB's statement in favor of S. 1883, the Trademark Law Revision Act. We are encouraged by the measures contained in the bill to ensure a more efficient and equitable registration process, and by the fact that it would not require any expenditure of tax dollars to implement. NFIB appreciates the opportunity to submit comments on this worthwhile piece of legislation. We hope to see it enacted soon.

Statement of

Donald J. Quigg

Assistant Secretary and Commissioner
of Patents and Trademarks

Submitted to the

Subcommittee on Patents, Copyrights and Trademarks
Committee on the Judiciary
United States Senate

on S. 1883

March 15, 1988

I am pleased to be able to express the Administration's general support for one of the most comprehensive proposals for revision of the trademark law in over 40 years, S. 1883. I want to comment on certain highlights of the bill, specifically, intent-to-use, the definition of use in commerce, term of registration, dilution, security interests, and unfair competition. Additional comments of a technical nature are contained in an attachment to this statement.

American business was different in 1946 when the Lanham Act was enacted. While television had made tremendous strides in the 1920's, home television sets were still rarities, and radio was the mainstay of home entertainment. Copies of letters were made with carbon paper, and the corner grocery still sold pickles from a barrel.

But the Second World War had just ended and American business was about to witness its most spectacular advances since the industrial revolution. Unprecedented growth led to more and more business being conducted on a nationwide basis which in turn led to global competition. No longer does the local entrepreneur sell a few copies of his latest creation to friends and neighbors hoping that eventually word of mouth will spread its name beyond state boundaries.

The costs of launching a new product today are staggering. First, there is the cost of research, development and design of the product itself. Then there are the costs of market research, package design, trademark development, and advertising. The key to the successful promotion of a product is its trademark which is also extremely important as an identifier of the product's quality. Under current law, a trademark, and I use the term in its broadest sense to include service marks, must be used in commerce before a person can apply for federal registration. The only exception is when an application can be based on the registration of the mark in the applicant's country of origin. American business is expected to invest the great sums of money needed to market new products and promote its trademarks, without assurance that it can obtain federal protection for its trademarks. This does not make good business sense.

As a pragmatic alternative to the requirement to use a mark in commerce, the concept of token use evolved. Under token use, a person makes minimal use of a mark, just enough to support applying for federal registration. The Patent and Trademark Office and the courts have upheld this practice. Although token use is a practical approach, it undermines the use requirement. Other countries, whose trademark laws are based on the common law concept that rights in a mark are acquired by use, decided quite sometime ago that forcing businessmen to use a mark before its protection could be assured was not in the best interests of the business community. In 1938, the United Kingdom converted to an intent-to-use system, and Canada converted in 1954. Today, the United States is the only developed country that requires use of a trademark before application can be made to register that mark. It is time for the U.S. to eliminate this outdated practice.

The first Trademark Act, in 1870, permitted registration without prior use. In 1879, the Supreme Court declared that Act unconstitutional on the grounds that the patent provision of the Constitution was not broad enough to cover trademarks and that the law was not based on the interstate commerce provision of the Constitution. The Trademark Acts of 1881, 1905 and 1946 have all been based on the commerce clause. Therefore, the provisions of S. 1883 which amend the Trademark Act of 1946, would also derive their constitutionality from the commerce clause.

In 1938, when Mr. Lanham first introduced his trademark bill, it contained a provision allowing any person engaged in commerce who immediately intended to use a mark to register that mark on the supplemental register. This provision was deleted from subsequent bills. Supplemental registrations were used at the time to secure rights in foreign countries where a home country registration was a prerequisite to protection.

From the late 1950's up to the early 1970's, a number of bills were introduced which would have provided for trademark applications to be filed on the basis of an intention to use the mark. This effort was suspended when the United States began participating in negotiations on a trademark treaty to facilitate filing abroad -- the Trademark Registration Treaty (TRT). However, under the provisions of the TRT, the United States would not have been able to deny or cancel a registration on the ground of non-use for a period of three years after the application filing date. This, and other provisions of the TRT proved to be controversial. Although the United States signed the TRT in 1973, implementing legislation was not introduced and the United States did not ratify it.

The intent-to-use system proposed in S. 1883 resembles the Canadian system in that an application may be filed on the basis of intent-to-use, but the mark must be used before the registration will be issued. Under S. 1883, an intent-to-use application would be examined and, providing the mark would be registerable if used, the application would be published for opposition. If there were no successful oppositions, the applicant would receive a notice of allowance. The applicant would then have six months to file a statement of use and specimens showing use of the mark. The time period for filing the statement of use could be extended in increments of six months, up to a maximum of four years after the date of the notice of allowance. We have no objection to this time frame.

Each request for an extension of time must be in writing, contain a verified statement of applicant's continued intention to use the mark in commerce, and be accompanied by a fee. Each extension is limited to six months to discourage applicants from requesting the full three and one-half years extension as a matter of course. If the statement of use is not filed within the applicable time period, the application will become abandoned.

Once the registration has issued, the filing date will become the constructive date of first use. The nationwide priority given by this constructive date of first use can only be defeated by an earlier date of actual use or an earlier effective filing date. Without this provision, an applicant would file an intent-to-use application at his peril. He would be faced with the possibility of someone learning of his application and using the mark before he can do so and thereby acquiring rights in the mark.

Along with allowing businessmen to file applications on the basis of intent-to-use, S. 1883 proposes to amend the definition of use in commerce so that use may not be merely to reserve a right in a mark. It must be use in the ordinary course of trade, commensurate with the circumstances. Thus, the current practice of token use would be eliminated. Token use has permitted the registration of marks that the ordinary consumer has never seen on the shelves.

Amending the definition of use will help to clear the register of deadwood. In a further effort to clear abandoned or inactive marks from the register, S. 1883 proposes shortening the term of registration to ten years, renewable for like terms. To get some idea of how much deadwood is on the register, we did an informal survey based on the figures in the Commissioner's Annual Report. The renewal average over the last five years is 27%. If one were to extrapolate this survey to the existing twenty year term of registration, it would suggest that as high as 73% of the registered marks may have become deadwood. This alone could justify going to a ten year term.

At the other extreme, there are the marks which have been used extensively and have become highly distinctive - these are the famous marks. Even when there is no competition between the parties or likelihood of confusion, dilution can occur through use by others which reduces the famous marks's distinctiveness and lessens its commercial value. Dilution is the whittling away of an established trademark's selling power and value through its unauthorized use by others on dissimilar products. (Allied Maintenance Corp. v. Allied Mechanical Trades, Inc., 369 N.E.2d 1162, 198 USPQ 418 (N.Y. 1977)) A famous mark must have a truly distinctive quality or have acquired secondary meaning which is capable of dilution. One which did not, for example, was "Allied Maintenance" which had been used since 1888, but was found not to be distinctive in 1977.

Currently, 23 states have dilution laws, but court decisions have been inconsistent. This inconsistency, combined with the number of states which do not have dilution laws, creates a patchwork type of protection. The dilution provision in S. 1883 would help to provide consistent national protection for the tremendous value of famous marks. It would also greatly assist U.S. negotiators in the Uruguay Round of the General Agreement on Tariffs and Trade (GATT), who are urging other countries to provide adequate protection for trademarks and other intellectual property. At the present time, other countries can resist agreeing to higher international standards for intellectual property by pointing to the fact that the United States itself provides little protection against dilution in many states. The dilution provision would show that we are not asking other countries to give better protection than we are willing to give, which will be increasingly important as negotiations proceed under the new GATT trade round.

By establishing a nationwide floor for protection against dilution, the bill would increase protection for famous trademarks in those states that do not currently offer remedies against dilution. States that wish to offer greater degrees of protection, as many do now, would be free to do so. On the other hand, while the Administration favors strong trademark protection, the bill will impose a federal minimum standard in an area that traditionally has been left to the states. At this time, the Administration has no position on the desirability of this aspect of the bill.

S. 1883 provides that in order to be superior to any interests subsequently granted to a third party, security interests in trademark registrations or applications must be filed in the Patent and Trademark Office within ten days of grant. This requirement would be mandatory and would preempt state law. Because federal law provides a system for registering trademarks, it is logical that rights which might affect the registered owner's interests should be reflected on that register. However, the Patent and Trademark Office should only be required to record the interests, not to make any determination as to its validity as a prerequisite to recordation.

The last aspect of S. 1883 I want to comment on concerns the proposed amendment to section 43(a) of the Act. To the extent that the amendment in S. 1883 simplifies the language of section 43(a) and reflects current case law in proposed subsections (a)(1)(A) and (B) of the Act, it would be very useful. We especially agree that section 43(a) should be amended to make it clear that the remedies for infringement of a registered trademark are available in actions for infringement under this section as proposed in new subsection (a)(2) of the Act. We take no position on the desirability of adding proposed subsection (a)(1)(C) to the Act.

The intent-to-use portion of S. 1883 will have the most impact on the daily operations of the Patent and Trademark Office. Because intent-to-use is an idea whose time is overdue for the United States, we expect it is more a question of when the legislation will be enacted rather than whether it will be. In order to maintain our current pendency rate and high level of service, we have begun planning for changes in our examination process and its automation back-up. We want to work closely with you to provide for a smooth transition. To that end, and assuming that the legislation will be enacted during the next Congress, we request that we be given at least six months after the legislation is enacted before it goes into effect so that we can accommodate any late changes made by the Congress. Of course, should the legislation be enacted earlier, we would request more time.

Finally, I would like to express my appreciation for the excellent work the United States Trademark Association's Trademark Review Commission has done in its study of the Trademark Act and in making the well reasoned recommendations which form the basis of S. 1883.

Technical Comments

SECTION 3 of S. 1883 amends section 1 of the Trademark Act of 1946 to permit the filing of an application based on a bona fide intention to use a trademark in commerce. As amended, proposed section 1(b) of the Act, contains a proviso which would allow a concurrent use application to be filed on the basis of a bona fide intention to use the mark. We think the proviso should be deleted from proposed section 1(b). The purpose of concurrent use registration is to permit continued use of the same mark on similar goods by geographically separated people rather than to require one person to quit using the mark. Historically, concurrent registration has been an extraordinary remedy under extraordinary circumstances and was designed to permit registration in those circumstances where concurrent use is approved by courts under common law. (See: Tillman & Bendel, Inc., v. California Packing Corp., 16 USPQ 332 (9th Cir. 1933).)

Concurrent use proceedings should not be merely a means of settling private controversies nor to divide up the country between parties upon their mutual agreement, unsupported by a pre-existing right of the party who would otherwise have been denied the registration. Furthermore, the idea of a concurrent use registration based on an intention to use the mark issued to a later filing applicant appears to be in conflict with the concept in proposed section 7(c) of the Act. Proposed section 7(c) of the Act establishes, contingent upon registration, nationwide constructive use of a mark from the application filing date except against those who have prior use or an earlier effective filing date.

The requirements for filing a statement of use should be included in proposed section 1 of the Act together with the other requirements for registration rather than in proposed section 13 which is primarily concerned with oppositions.

SECTION 4 would amend section 2(d) of the Act by requiring refusal of registration if a mark so resembles a mark which is the subject of a previously filed application as to be likely to cause confusion, or cause mistake or to deceive. It would amend the concurrent registration proviso by deleting the word "continuing" before the word "use" (page 5, line 6) and excepting the requirement for use prior to the date of any pending application or registration when the owner of such application or registration consents to the grant of a concurrent registration to the applicant. It would also amend section 2(f) of the Act by allowing the proof of five years use of the mark needed to show secondary meaning to be five years before the date proof is offered rather than five years before the application's filing date.

The proposed statutory bar to registration based on confusing similarity to "a mark which is the subject of a previously filed pending application" should be deleted. Under present Office practice, prosecution of an application for a mark which is confusingly similar to a mark in an earlier filed application is suspended until the disposition of the earlier application. The same procedure would be followed under the proposed intent-to-use system. No amendment to section 2(d) of the Act is necessary for this purpose.

In accordance with our earlier comment that applications for concurrent registration should require prior use, the word "continuing" need not be deleted.

We do not object to the exception to the requirement that an applicant for concurrent registration have use prior to the filing date of any pending application or registration when the owner of such application or registration consents to the grant of a concurrent registration to the applicant. However, as with any concurrent registration, the Commissioner would be required to determine that confusion or deception would not be likely to result and would be authorized to impose conditions relating to the mode or place of use of the marks to prevent such confusion or deception.

SECTION 9 would amend section 7(b) of the Act to clarify the prima facie evidentiary benefits available to registrations on the principal register and would make section 7(b) consistent with sections 33(a) and (b). It also proposes a new section 7(c) which provides that, contingent upon the marks's registration on the principal register, the application filing date will be the nationwide constructive use date giving priority except against a prior user or earlier filing date.

The language of proposed section 7(c) could be simplified. By referring to the "effective filing date" rather than the "filing date", applications claiming priority based on foreign applications would be included. Then the phrase "has used the mark or who has an earlier effective filing date" could be added to the end of the paragraph after the word "filing". If this is done, subparagraphs (1),(2) and (3), which list the exceptions, could be deleted.

SECTION 10 would amend section 8 of the Act by reducing the term of a registration from twenty years to ten years and requiring registrants to include in the affidavit of use they must file during the sixth year of registration, a statement that the mark is in use on or in connection with the goods or services specified in the registration.

It should be made clear that the ten year term will be applicable to registrations which issue from applications which have been filed prior to enactment of this section, and to all renewals, regardless of when the mark was registered.

SECTION 12 would amend section 10 of the Act by providing that an intent-to-use application can only be assigned to a successor to the business of the applicant or that portion of the applicant's business in which the mark is intended to be used. It would add a new subsection (b) which provides for notice of a security interest in a trademark registration or application to be recorded in the Patent and Trademark Office.

Proposed section 10(b)(3) of the Act requires recording of certain documents to be in accordance with State law. In order to avoid confusion, it should be made clear in the legislative history that this provision only applies to a security interest which is against the proceeds of a sale, or the like, of assets which include a trademark registration. Because it is not a security interest against the registration itself, it would not be recorded in the Patent and Trademark Office.

SECTION 14 would amend section 13 of the Act by adding a new subsection (b)(1) which provides that unless a published application based on use or a foreign registration has been successfully opposed, a registration will be issued. It also adds a new subsection (b)(2) which provides that unless a published intent-to-use application has been successfully opposed, the Office will issue a notice of allowance. The intent-to-use applicant then has six months from the date of the notice of allowance to file his statement of use of the mark in commerce. Six month extensions of time, up to a maximum of four years from the date of the notice of allowance, will be granted upon written requests accompanied by a verified statement that the applicant has a continued bona fide intention to use the mark in commerce and payment of a fee. The proposed subsection sets forth the required contents of the statement of use and provides for written notice of its acceptance or reasons for refusal. The applicant may seek review by the Commissioner of a final refusal to accept a statement of use.

We believe that proposed subsection (b)(1), which reflects current practice, and the provisions of subsection (b)(2) pertaining to the notice of allowance should remain in section 13 of the Act because they address, in effect, the end of the opposition proceeding. On the other hand, we believe that the requirements for the statement of use, the time period and conditions for its extension, and the notification requirement should be in section 1 of the Act with the other requirements for registration.

Proposed subsection (b)(2)(B) provides for review by the Commissioner of a final refusal to accept a statement of use. We believe that this should be changed to allow a final refusal to be appealed to the Trademark Trial and Appeal Board (TTAB). Our Public Advisory Committee for Trademark Affairs has recommended that because such refusal may contain substantive examination issues, it should be appealable rather than reviewed by the Commissioner to avoid situations where the Commissioner and the TTAB are deciding the same issues. Furthermore, there is no appeal from a review by the Commissioner. We concur with this recommendation.

SECTION 17 would amend section 18 of the Act to give the Trademark Trial and Appeal Board the authority to cancel a registration in whole or in part, to limit or otherwise modify the goods or services in a registration or application in order to avoid a likelihood of confusion and to determine trademark ownership rights where they are at variance with the register. It would also provide that when an intent-to-use applicant alleges likelihood of confusion, any judgment favorable to such applicant will not be final until the mark is registered.

It should be made clear that a final judgment will not be entered in favor of an intent-to-use applicant until the mark is registered only when he alleges likelihood of confusion with the mark he intends to use, that is, the subject of the intent-to-use application. It should also be made clear that a final judgment steming from other allegations would be entered. These changes should also be made in SECTIONS 18, 20 and 25 of S. 1883.

SECTION 18 would amend section 21 of the Act by providing that no final judgment will be entered in favor of an intent to use applicant who alleges likelihood of confusion until the mark is registered. It would also provide that a court could allocate expenses in an ex parte appeal rather than requiring the appellant to pay all expenses.

Section 21 of the Act requires an applicant seeking judicial review of a decision of the Trademark Trial and Appeal Board by a civil action to pay the Commissioner's expenses whether the applicant wins or loses. We certainly agree that an applicant should not have to pay for unreasonable expenses and, in fact, the courts have so construed Section 21 as well as the corresponding provision in the patent law, 35 U.S.C. section 145. Hence, we believe a "reasonable" standard already exists under present case law. We construe the proposed amendment as one seeking to maintain the present standard. The proposed amendment, however, fails to expressly articulate any standard by which a court would exercise its authority. Accordingly, we suggest that if there is to be an amendment to Section 21, addition of the language "and, unless the court finds the expenses to be unreasonable" would be more desirable inasmuch as it would set out a statutory standard.

SECTION 20 would make a conforming amendment in section 24 of the Act to reflect the elimination of the one year use requirement for applying to register a mark on the supplemental register. It also would provide that when an intent to use applicant successfully petitions to cancel a supplemental registration by alleging likelihood of confusion, no final decision will be entered until the mark is registered.

In the second sentence of section 24 of the Act, the word "verified" should be deleted. This would remedy an oversight made when the requirement for a verification of a petition to cancel a registration on the principal register was eliminated in 1982.

SECTION 21 would amend section 26 of the Act by adding a reference to section 1(b), which allows an application to be filed on the basis of intent-to-use and a reference to section 7(c), which provides for a constructive date of use, to those sections of the Act which are not available to registrations on the supplemental register.

Proposed section 7(c) of the Act would make the filing date the constructive date of use after registration. This provision would not benefit the regular supplemental registrant because use of the mark is required before filing the application. However, a constructive date of first use as of the filing date for registrations based on foreign registrations is consistent with current case law, and therefore, should be applicable to such registrations whether they are on the principal or supplemental register. Accordingly, the reference to proposed section 7(c) of the Act should be deleted from SECTION 21 of S. 1883.

SECTION 22 amends section 30 of the Act to accommodate intent to use applications by allowing them to be filed in all classes of goods and services.

We recommend that SECTION 22 of S. 1883 be amended to delete the words "or all" in the second sentence and the proviso at the end of section 30 of the Act. As presently worded, section 30 of the Act requires the Office to accept multiclass applications as long as a fee is paid for each class. Our recommendation would permit the Office to require that a separate application be filed for each class of goods or services. This flexibility would allow us to determine the best system for our examining and data processing requirements. It will not result in any additional fees for the applicant or affect their rights.

SECTION 28 would amend section 43(a) of the Act by simplifying the existing language to the extent that "affix, apply, annex or use" and "cause or procure to be used in commerce or delivered to any carrier to be transported or used" are incompassed in the phrase "uses in commerce". In place of the phrase "including words or other symbols" it would specifically list "any word, term, name, symbol, or device or any combination thereof". Finally, it would add the phrase "engage in any act, trade practice or course of conduct".

We would suggest that the phrase "or who shall engage in any act, trade practice or course of conduct" should be qualified by an indication that such act, practice or conduct must affect commerce.

SECTION 30 would amend section 44 of the Act by requiring that an application claiming a right of priority under section 44(d) must contain a statement that the applicant has a bona fide intention to use the mark in commerce and by deleting the provision that use in commerce need not be alleged. It would also require that an application based on a foreign registration filed under subsection (e) contain a statement of the applicant's bona fide intention to use the mark in commerce but provides that use in commerce is not required prior to registration.

We favor the addition of a requirement for a statement of bona fide intention to use the mark in commerce in applications based on foreign registrations, as it would place U.S. and foreign applicants on a more equal basis. (Note: in Crocker National Bank v. Canadian Imperial Bank of Commerce, 223 USPQ 909 (TTAB 1984) it was held that the Patent and Trademark Office could not require specimens of use of the mark from a section 44 applicant. A statement of use in commerce has not been required in an application based on a foreign registration at least as far back as the 1905 Act.)

Currently, in section 44(d) reference is made to an application under section 1, 2, 3, 4 or 23 of this Act but there is no reference to filing an application based on a foreign registration under section 44(e) of the Act. Under the 1905 Act, provision for registration based on a foreign registration was in section 2. In the 1946 Act, section 2 contains provision for filing a concurrent use registration but a statement of use in commerce is necessary. Therefore, we recommend that the reference to section 2 in the first sentence of section 44(d) be deleted and a reference to section 44(e) be added.

It would be worthwhile to redraft subsection (d) to make it clear that it pertains only to a claim of right of priority.

As a general comment, we note that S. 1883 proposes titles to precede sections 1 and 10 of the Act. We recommend that these proposed titles be deleted. The Trademark Act of 1946 does not have titles preceeding its sections. If the proposed titles in SECTIONS 3 and 12 of S. 1883 are retained and the bill is enacted, sections 1 and 10 of the Act will be the only ones which have statutory titles.

Gerald J. Mossinghoff
PRESIDENT

Pharmaceutical
Manufacturers
Association

March 11, 1988

The Honorable Dennis DeConcini
Chairman, Subcommittee on Patents,
Copyrights and Trademarks
Committee on the Judiciary
United States Senate
Washington, DC 20510

Re: S.1883 - Trademark Law Revision Act

Dear Mr. Chairman:

The Pharmaceutical Manufacturers Association welcomes this opportunity to comment on S.1883, the Trademark Law Revision Act. PMA represents over 100 research-based companies that introduce virtually all of the new drugs produced in this country. Without exception, these products are marketed under distinctive trademarks.

PMA supports S.1883 and is pleased that you have introduced this legislation to modernize and improve the U.S. trademark system. The bill proposes a number of improvements in the Lanham Act, the most significant of which would allow the filing of a trademark application acquisition of rights pursuant thereto based upon a bona fide intention to use a mark in commerce. Under present law, domestic applicants must have had some degree of actual use in interstate commerce in order to register a mark. We believe that the present requirement is out of step with modern commercial practice. Before launching a new product, a company must have some assurance that it will be able to protect its mark against others. Consequently, the practice of "token use" has evolved -- taking samples of a product that meet the description of the goods intended to be marketed, labeling them with the proposed trademark and shipping them across state lines. The process is cumbersome, requires one to engage in a legal fiction, and does not always adequately protect one's rights in a mark.

A second drawback to the current requirement of actual use is that it places domestic applicants at a disadvantage compared to foreign applicants. Under the Trademark Trial and Appeal Board's decision in Crocker National Bank v. Canadian Imperial Bank of Commerce, 223 USPQ909 (TMTAB, 1984), foreign applicants may obtain registration in the limited states based solely on registration of the mark in their own country, without

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any proof of use anywhere. Since virtually no countries other than the United States presently require use as a prerequisite to filing an application for registration, foreign applicants now enjoy a significant advantage under the U.S. system.

The bill would permit an application to be filed based either on a bona fide intention to use or on actual use. An applicant whose filing is based upon intent to use would have eight consecutive six-month periods in which to prove actual use in commerce before registration could be obtained. An intent-to-use system would be desirable because it would do away with the "token use" system and would put domestic applicants more on par with foreign applicants. PMA, therefore, supports the proposal to adopt a system allowing applications to be made based either on intent to use or actual use. Due to the unique nature of the pharmaceutical industry, however, several issues arise under such a system which require clarification.

The first issue is whether shipments of a drug to investigators for clinical trials would constitute use under the bill on which registration may issue. The bill would amend Section 45 of the Trademark Act by defining the phrase "use in commerce," which is necessary to obtain registration, as "use of a mark in the ordinary course of trade, commensurate with the circumstances, and not merely to reserve a right in a mark." Prescription pharmaceuticals are one of the most heavily regulated consumer products on the market. They must undergo extensive testing by the manufacturer and detailed review prior to approval by the Food and Drug Adminstration. It takes as much as seven to ten years after discovery of a new compound to obtain FDA approval for marketing. It would be inequitable, therefore, to require that an applicant wait as long as ten years for FDA approval before its rights in a mark can be established. The USTA Trademark Review Commission recognized the particular needs of the pharmaceutical industry and other similarly situated industries needs. The Commission addressed these situations in its discussion of its proposed definition of "use in commerce:"

> The proposal contemplates commercial use of the type which is common to a particular industry. However, it should also be construed to encompass various genuine but less traditional trademark uses such as those made in small-area test markets, infrequent sales of very expensive products, or ongoing shipments of a new drug to clinical investigators from a company awaiting FDA approval.

Footnote 24 states:

> Though small-scale, such shipments are generally made on a relatively continuous basis to doctors who will ultimately prescribe the drug, if approved. Concurrently, the trademark may also be used identify the drug in articles in pharmaceutical and other publications.

Report and Recommendations of the Trademark Review Commission, page 36-7. Recognition of shipments to investigators as valid use is essential to the pharmaceutical industry. We request, therefore, that the Committee's report reflect the intent of the Trademark Review Commission with respect to this issue.

A second issue which arises under an intent-to-use system is whether filing for more than one mark for one product would negate the *bona fideness* of the intention to use. The nature of international pharmaceutical practice frequently necessitates multiple filings to ensure that at least one mark can be found that can be used on a global basis. In such cases the "intent to use" really means an intent to use this one or one of several other marks, depending upon subsequent conditions such as the applicant's success in clearing and registering the mark in other countries. This practice is consistent with the TRC's comment on the meaning of the term "*bona fide*." The TRC Report states:

> By "*bona fide*," we mean no mere hope, but an intention that is firm though it may be contingent on the outcome of an event - e.g., product testing or market research. The term "*bona fide*" should be expressly stated in the statute to make clear such intent must be genuine.

PMA requests that the Committee's report expressly state that an applicant's intent to use a mark can be *bona fide* even though the applicant has filed applications for multiple marks for the same product.

Finally, PMA would like to stress the importance to our industry of the four-year period for putting a mark into use following allowance by the office. Under the bill, applicants would be required to file proof of actual use in commerce within six months following the date of allowance. Extensions for up to seven additional six-month periods would be allowed upon request of the applicant accompanied by a statement that the applicant has a continued *bona fide* intention to use the mark in commerce on specified goods. The total 48-month period is essential to the pharmaceutical industry due to the length of the regulatory review period. As we pointed out above, the time from discovery of a new compound to FDA approval may be as much as ten years. It would not be unusual for four years to transpire between the time of initial application of a mark and the commencement of actual use. We urge, therefore, that the full four-year period for actual use be retained.

PMA appreciates this opportunity to comment on S.1883 and would be happy to provide any additional information you may need regarding the impact of the legislation on our industry.

Sincerely,

Gerry M.

Gerald J. Mossinghoff

LETTERS/STATEMENTS RECEIVED SUPPORTING S. 1883

(as of April 4, 1988)

COMPANIES

Air Products

Alcon Laboratories

Amoco Corporation

Apple Computer

Becton Dickson & Company

BP America, Inc.

Century 21

Ciba - Geigy

The Dow Chemical Company

Eaton Corporation

Exxon Corporation

Mrs. Fields, Inc.

GameTime

Greyhound

Hasbro, Inc.

Hilton Hotels

Kenner Products

Kraft, Inc.

Mack Trucks, Inc.

Mars, Inc.

McIlhenny Company

Mobil Oil Corporation

National Gypsum Company

Ocean Spray Cranberries, Inc.

Opry land, USA

PepsiCo, Inc (Frito-Lay, Pizza Hut, Taco Bell, Kentucky Fried Chicken)

Pioneer Hi Bred International Inc.

PPG Industries, Inc.

The Service Master Company

The Seven-Up Company/The Dr. Pepper Company

Sterling Drug Inc.

Sunkist

Texaco

Thomson & Thomson, Inc.

United Technologies

White Consolidated Industries

Xerox

Organizations

American Bar Association-Patent, Trademark & Copyright Section

American Intellectual Property Law Association (AIPLA)

Association of American Publishers

Association of the Bar of the City of New York

Austin Patent Law Association

California State Bar-Patent, Trademark & Copyright Section

Chamber of Commerce of the United States

Chemical Manufacturers Association

Chicago Bar Association

Colorado State Bar-Patent, Trademark & Copyright Section

Connecticut Patent Law Association

Grocery Manufacturers of America

Intellectual Property Owners, Inc.

International Franchise Association

Licensing Executive Society - USA/Canada

National Agricultural Chemicals Association

National Association of Realtors

National Association of Manufacturers

National Federation of Independent Business

Patent Law Association of Pittsburgh

Pharmaceutical Manufacturers Association

Philadelphia Patent Law Association

The United States Trademark Association

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